# THE FIVE-YEAR
# ECONOMIC AND SOCIAL DEVELOPMENT PROGRAM

FOR FY 1957-1961

ADOPTED BY THE NATIONAL ECONOMIC COUNCIL
ON JANUARY 3, 1957

January 3, 1957

The President of the Philippines
Malacañang, Manila

Dear Mr. President:

We respectfully submit, for your consideration and approval, the attached Five-Year Economic and Social Development Program for the fiscal years 1957 to 1961 which was formulated and adopted by the Council at its meeting held on January 3, 1957.

In brief, the Program focuses attention on the main economic problems facing the country and proposes general lines of action that should be taken towards the most expeditious solution of these problems within the resources at the country's command and within the framework of economic stability.

The Program is a conscious attempt by the Government to bring out the best that is in our people. To this end, two interrelated ways are proposed: firstly, for the Government itself to undertake a program of public investment; and secondly, for the Government to establish and consistently implement coordinated public policies designed to encourage and enable private enterprise to perform its rightful part in the country's economic development.

The Program emphasizes the need for revision from time to time on the basis of actual performance, changing conditions, and prospects for further advance. Recognizing this fact, the Council is pleased to forward with the Program a supplementary Three-Year Production Program originally drafted by Senator Locsin which the Council believes contains many desirable recommendations that may prove helpful in the initial years of implementation of the Program.

The Council is grateful that it has had the privilege of formulating and adopting this Program which it now recommends for approval.

Very respectfully yours,

(Sgd.) EDUARDO Z. ROMUALDEZ
Acting Presiding Officer

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# PART I — *FUTURE GOALS AND PRESENT POSITION*

## CHAPTER I — THE CURRENT ECONOMIC PROBLEMS

There are three major problems of the Philippine economy. First, there is underproduction both for consumption and export. Second, the level of unemployment is certainly high and apparently rising.[1] Third, there is a chronic disequilibrium in the balance of payments which has required controls on foreign transactions for a number of years. These three problems, which are closely interrelated, mutually aggravate each other but the first, underproduction, may be considered as the fundamental one.

Emanating from these major problems are other subsidiary problems, which include among others, the following: the maintenance of reasonable price stability; the need for land reform; the need for a long-term change in the structure of the economy; the need for trade and tariff adjustments in view of the Laurel-Langley Agreement; and the need for revision in the tax structure. All these problems must be faced especially in the light of increasing desires for rising standards of economic and social welfare and community development.

### a. *Production Trends*

The period from 1946 to the present has been one of rapidly changing economic and social conditions. During this period, the early phase of rehabilitation and reconstruction has gradually shaded into the present phase of normal economic growth.

The index of the physical volume of production in agriculture, industry, and mining combined as reported by the Central Bank indicates an average aggregate increase of production of 9.6 per cent per year from 1950 to 1955.[a] Allowing for the growth of population, estimated at 2 per cent per year during the period, the average increase in overall per capita production was apparently of the order of 7 to 8 per cent. It may be noted, however, that the rise in the aggregate physical volume of production from 1954 to 1955, the last full available year, was at the lower rate of 6.3 per cent, or about 4 per cent per capita.

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[1] According to the Philippine Survey of Households, the number of unemployed in May, 1956, is estimated at 1,182,000 persons, as compared with 1,110,000 persons in 1948.

[a] Compound rate. See Appendix 1-01.

In agriculture, which accounts for about 42 per cent of the national income, the average yearly increase in production for the period from 1950 to 1955 was 8.5 per cent. This significant growth may be largely attributed to an increase in the acreage of cultivated land, more liberal credit provision for farmers, more use of irrigation and fertilizers, and improving extension services.

In manufacturing, which accounts for about 14 to 15 per cent of the national income, the average yearly increase in production for the period 1950 to 1955 was about 10.5 per cent. This increase was at least partly due to the stimulating effect of credit preference given to the manufacturing industries, tax exemption incentives, and selective import and exchange controls. It must be observed, however, that many of the new industries depended on imported raw materials which, together with the still insufficient rate of import substitution in the face of practically static export receipts, did not sufficiently relieve the continuous pressure on the foreign exchange reserves. The previous practice of condoning the shifting by foreign exchange allocation holders from goods specified in the allocation to unspecified goods undoubtedly contributed to this pressure. However, the Central Bank has already stopped this practice.

In mining, which accounts for between 1 and 2 per cent of the national income, the average yearly increase of production from 1950 to 1955 was 10.5 per cent but this expansion was largely concentrated in the early part of the period (1950-1952). This was the result of a heavy market demand for base metals and of some credit incentives given to the mining industry. Chromite, copper and iron ore led in the expansion of the physical volume of mining output. There was, however, a drop in mining production from 1953 to 1954, owing mainly to severe fluctuations in world market prices and an unfavorable cost-price relationship for gold.

Available national income statistics[1] indicate that from 1950 to 1955 national income at current prices grew from ₱6,146 million to ₱7,804 million, or at an annual compound rate of about 5 per cent. Expressed in terms of per capita real income, and using the Central Bank consumer price index as a deflator,[2] the rate of increase in per capita real income comes to 4 per cent per year. This, if accurate, would indicate a vigorous rate of growth.

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[1] See Appendix 1-02, National Income and Product by Industrial Origin, 1950-1955.

[2] To assess overall growth in a meaningful way, it is necessary to express national income data in terms of real income per capita. This is done by using an appropriate deflator which should reflect the movement of prices and re-

If aggregate production indexes and national income statistics are alone utilized as bases for assessment of economic growth, it would appear that the Philippine economy is a very dynamic one.[1] This is the only conclusion that can be reached in the premises since, at the estimated rates of growth implied by those statistics during the period 1950 to 1955, per capita production and per capita income would double in 10 and 18 years, respectively.

However, the employment situation which is described below, as well as the rate of increase of hectarage planted to major agricultural crops and in the production of certain selected commodities,[2] both in per capita terms and in relation to the corresponding pre-war and early post-war years, gives indications that the more recent rates of growth in aggregate national income and index of physical production do not give a complete picture of Philippine economic growth in relation to the whole period since pre-war years.

The available data on hectarage and production reveal the following facts:

(a) *With respect to hectarage per unit of population*:

1. Rice, sugar abaca, and tobacco hectarage is below pre-war levels.
2. Corn, fruits and nuts, root crops, beans and vegetables hectarage is above pre-war levels.
3. Sugar, tobacco, root crops, rice, fruits and nuts, corn and beans and vegetables hectarage increased generally since 1950.
4. Hectarage of other food crops increased to above pre-war levels in 1947-1951 but has declined markedly since then.

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lative weights of the different components of national income. However, no fully satisfactory deflator is available. In this instance, the Central Bank consumer price index has been used as a convenient deflator, with the result indicated above. If the Central Bank retail price index were used the resulting rate of increase in per capita real income would be even higher, that is about 4.2 per cent. Admittedly, both indexes suffer from the limitation that they are based on conditions in Manila and vicinity but this limitation may not be too significant insofar as annual rates of change are concerned because prices outside Manila tend to follow the Manila price movements.

[1] The consumer price index for January-June 1956 was reported to be 100.2 (Central Bank News Digest, Aug. 7, 1956). This would indicate that the rate of growth in real income might be lower in 1955-1956.

[2] See Appendix 1-03, Charts Nos. 1 to 9 showing the hectarage planted to certain crops and Appendix 1-04, Charts Nos. 10 to 24, on the production of selected commodities.

(b) ***With respect to production volume per unit of population*:**

1. Abaca, coconut oil, tobacco, meat and poultry, rice, sugar, iron ore, manganese, and gold production is below pre-war levels.
2. Copra, corn, fish, root crops, copper, and chromite production is now above pre-war levels.
3. Coconut oil, copra, sugar, root crops, corn, fish, meat and poultry, palay, copper, chromite, and iron ore production has followed a generally upward trend since 1950.
4. Abaca and manganese production has been generally declining since 1951 while tobacco and gold production has been more or less constant since 1951.

These facts seem to indicate that on the whole existing hectarage planted to the main crops and production of a number of major domestic primary commodities, both in per capita terms, have not markedly exceeded pre-war levels. The remarkable rates of growth in the post-war period implicit in the national income accounts and in the production indexes have somehow to be related to these longer-term trends. The total index of physical volume of production in 1955 was only 62 per cent above the 1937 level.[1] Since population increased by approximately 45 per cent in the interval, the volume of physical production per capita would seem to be only moderately above pre-war level. Computed on the same basis, it would seem that *per capita* agricultural production in 1955[a] was very slightly above 1937, mining still below 1937, but manufacturing distinctly above 1937. Moreover, these data would seem to indicate that the reconstruction period following World War II has not yet definitely ended although a shift towards normal growth may have come into being at the same time.

Whatever may be the true long-term rate of growth, per capita income for 1955 was still at the low estimated level of ₱360, placing the Philippines among the underdeveloped countries, even though not among the poorest of these.

This low level of per capita income for the whole country seems indicative of the conditions of poverty and want characteristic of the rural areas where a majority of the people live and are engaged in agricultural pursuits marked by primitive methods and practices that have not often been touched by technological progress for centuries. Field surveys are now being conducted under the auspices of the National Economic Council and are expected to produce a more accurate picture of income and employment in the rural areas. Until these surveys are concluded and the results assessed, available information indicates that in 1953 the per capita cash incomes in selected barrios in Central Luzon in areas where the tenancy system predominates ranged from ₱96 to ₱107 per farmer.[1] This seems to confirm that a large part of our rural population has incomes still close to bare subsistence levels.

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[1] Figure obtained by joining a 1937-1949 index, with the present 1949-1955 index.

[a] In terms of agricultural production *per capita of agricultural population*, the 1955 value is probably higher than indicated above due to a possibly marked shift to urban areas but lack of statistics on this shift preclude a precise determination.

From this apparent disparity between tenant farmer per capita income of about ₱100 and the national average of about P360, and in the absence of more comprehensive statistical data, it seems reasonable to assume that the rate of increase in the national income if true represents on the whole gains made by the Manila area and outside it by the higher income groups and that similar gains in the other sectors of the economy have not materialized. For the country as a whole, this represents a somewhat lopsided development.

Absence of a long-run change in economic structure is manifested by the pattern of production which has changed but little between 1950 and 1955.[2] Agriculture accounted for 40.5 per cent of the national income in 1950 and 42 per cent in 1955. Manufacturing, on the other hand, accounted for 12.2 per cent of the national income in 1950 and 14.6 per cent in 1955. Mining contributed 0.8 per cent of the national income in 1950, compared to 1.4 per cent in 1955. Thus, although the actual physical volume of manufacturing and mining nearly doubled during the period,[3] it will be seen that the relative shifts in production as reflected in the structural distribution of the national income[4] were small and that there was no really pronounced shift towards manufacturing during this period.

In spite of the lack of a pronounced long-run structural change in production in the past half decade, however, there are signs that the desired change has started to take place. For instance, from 1950 to 1955 the total increment in the contribution of agriculture to national income[5] amounted to ₱784 million while that of manufacturing and mining totalled ₱456 million or more than half that of agriculture. In other words, the increment in the value added during that period by manufacturing and mining reached 57.4 per cent while that in the contribution of agriculture to the national income reached only 31.5 per cent of their respective total contributions to national income in 1950.

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[1] Rivera and McMillan, "An Economic and Social Survey of Rural Households in Central Luzon", Manila, June, 1954.

[2] Central Bank News Digest, May 29, 1956, (See Appendix 1-05, Structural Distribution of National Income: 1950-1955.)

[3] Appendix 1-01. [4] Appendix 1-05. [5] Appendix 1-02.

Again, while the contribution of agriculture to national income increased by ₱114 million or 3.6 per cent from 1954 to 1955, that of manufacturing and mining increased in the same year by ₱140 million or 12.7 per cent. Thus, while aggregate annual contributions of manufacturing and mining to national income have not been sufficient thus far to materially affect the overall pattern of production, the yearly sectoral gains show that manufacturing in particular is growing at a relatively faster pace than agriculture.

On the other hand, as far as the structure of employment is concerned, the results of the recent (May, 1956) sample Household Survey indicate that the percentage of agricultural employment to the total labor force has fallen to 61 per cent, but the significance of this result still remains to be evaluated in the absence of dependable comparative data for the years previous to 1956.

### b. *Employment Trends*

Since the latest census was conducted in October, 1948, the accurate assessment of the country's manpower resources has been handicapped by the lack of up-to-date and comprehensive statistics. The decision of the Council late in 1955 to undertake a statistical survey of the manpower and economic activities of the people constituted a start in eventually meeting the imperative need for data essential to planning. The results of the first sample survey conducted in May, 1956, were released at a time when this draft of the economic development plan was being completed.

The result of the survey indicates that the current level of unemployment is nearly 1.2 million or about 13% of the labor force. It is possible that actual unemployment may be as high as 1.9 million[1] or even higher if the various forms of disguised unemployment and underemployment are taken into account.

Considering the age distribution of the population, in which about 44 per cent is below 15 years of age, it could be expected that the labor force will increase in the next few years at an even faster rate than the total population, or by nearly 3% per year. The labor force may, therefore, increase by almost 275,000[a] annually during the program period 1957-1961.

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[1] Unemployment was placed at 1,182,450 and of the total employed persons 805,350 were reported to have worked only for less than 20 hours during the survey week.

To reduce significantly the backlog of unemployment, disguised unemployment and underemployment, and to absorb the annual increase in the labor force, it would be necessary to provide new employment opportunities in the neighborhood of at least 300,000 new jobs per year. The investment volume and level of activity in the recent past have apparently been either too small or otherwise not been of a kind or composition to generate sufficient employment opportunities.

### c. *Balance of Payments Problem*

With the initial imposition of exchange control necessitated by the rapid depletion of reserves prior to 1949, the level of international reserves rose from $260.1 million in 1949 to $335.9 million in 1950. It gradually declined to $272.7 million in 1954 and then dropped to $209.2 million in 1955 (see Appendix 1-01), a total drop of $126.7 million from the peak in 1950, of which $63.5 million or 50 per cent occurred in the one single year from 1954 to 1955.[b]

The rapid decline in the international reserves was mainly due to a chronically unfavorable balance of trade and secondarily to a sharp decrease in United States expenditures in the Philippines from 1950 to 1951 followed thereafter by near stabilization at the 1951 level. Although there was increased production for export, there was an even greater increase in imports of raw materials and capital goods to support the trend towards industrialization and higher level of production (see Appendix 1-01). Moreover, between 1949 and 1955 Philippine terms of trade deteriorated by about 20 per cent, and this deterioration nullified a good part of the expansion in the volume of exports. Most of this deterioration occurred in the last two years of this period, i.e., from 1953 to 1955. In fact, our command over imports from current foreign exchange earnings[1] has been stagnant over the last six years in absolute volume of imports, has fallen on a per capita basis, and even more so in relation to the volume of production.

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[a] Figure supplied by Office of Statistical Coordination and Standards, NEC.

[b] There has been a recent rise from the low level at the end of 1955 to $234 million on June 30, 1956, and a slight drop to $232 million on August 31, 1956.

[1] i.e. Foreign exchange earnings deflated by a price index for imports.

The f.o.b. value of total imports rose from ₱685 million in 1950 to ₱1,095 million, or 60 per cent higher, in 1955. This absolute and relative increase in imports during the period under survey took place in spite of import and foreign exchange controls. Due to the effects of the barter and no-dollar imports, the controls have not totally succeeded in restricting the inflow of non-essential imports although they have undoubtedly facilitated the shift to essential raw materials and capital good imports.

On the other hand, the f.o.b. value of total exports rose from ₱674 million in 1950 to ₱791 million in 1955, or only 17 per cent (compared with a 60 per cent increase in imports). There was a sharp drop in 1952 and a slight one in 1955, but in the past three years the total export income has practically leveled off at about ₱800 million a year.

Even if the relatively more normal period from 1952 to 1955, instead of 1950 to 1955, were used as a basis, the disparity between the rates of increase in imports and in exports is still substantial. The f.o.b. value of imports increased from ₱864 million in 1952 to ₱1,095 million or 27 per cent higher in 1955 while that of exports was from ₱704 million in 1952 to ₱791 million or only 12.5 per cent higher in 1955.

### d. *Price Trends*

The retail price index rose to 110.4 in 1951 during the Korean War and then gradually fell to a low level of 94.6 in 1955[1] (1949 = 100). The Philippines is among the countries which have mostly successfully withstood the inflationary threats to internal stability during this period.

The price level in an underdeveloped country like the Philippines depends on the money supply, the increase in production of consumer goods, the allocation of foreign exchange for raw materials and consumer imports, and the price of imported consumer goods. Money supply consisting of money in circulation and peso demand deposits[2] increased by 29.1 per cent from 1949 to 1955, most of this increase occurring in the first year of that period. During the same period, agricultural production increased by 64 per cent and manufacturing by 113.4 per cent. But the allocation of foreign exchange for consumer imports was reduced by half between 1950 and 1955, and the average wholesale price of imported goods increased by over 20 per cent from 1949 to 1955. But, while the restriction in foreign exchange for consumer goods imports reduced the volume of available supplies from this source and raised their prices, the relatively more liberal exchange allocations for raw materials and producer goods generally tended to promote increased domestic production. From these figures, it can be concluded that the downward trend in the general price level during the period, in the face of a 20 per cent increase in the price of imported goods, was primarily due to an increase in the aggregate volume of production relative to the money supply.

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[1] Central Bank News Digest, April 10, 1956. See Appendix 1-01.

[2] *Op. cit.*

Based on historical trends, the economy appears to be prepared to absorb a limited volume of new monetary injections for economic development without experiencing harmful inflationary effects. For FY 1957, it is estimated that about ₱220 to ₱230 million would be the maximum limit of net monetary injections or new money creation, beyond which an excessive rise in the price level might be generated.[1] But this estimate is based on certain assumptions and will be discussed in more detail in Part IV in connection with the foreign exchange implications and the financial implications of the development program.

### e. *Recent Development Trends*

Supplementary to the above picture of current economic problems, there is presented hereunder a brief discussion of the most recent (after December, 1955) developments in production, prices and balance of payments position.

1. Production Trends—

During FY 1956 domestic production continued to increase at about the same rate as in the 1950-55 period. Textile production, which in 1955 stood at 75.6% of the 1952 index, shot up to 118.2 in 1956 or an increase of 42.6% in one year.[2] Among food products, corn production rose by 10.3% in 1956 over 1955 and there was also a general moderate increase in the production of other food crops such as palay, root crops, fruits and nuts and others. Among the export products, tobacco production in FY 1956 represented a 28% increase over 1955, abaca a 15.1% increase, logs and lumber a

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[1] Draft report of the Inter-Office Committee representing NEC, CB and BC. See Appendix 1-06, Public Borrowing Policy for 1957.

[2] Central Bank News Digest, Sept. 11, 1956

12.7% increase. There was, however, a drop of 29.4% in the 1956 production of ramie.[1]

While domestic production of goods has shown signs of continued growth, the total supply of goods has been affected by certain factors:

(1) The persistence of balance of payments difficulties has made it necessary to impose drastic cuts in foreign exchange allocations for imports in order to minimize the drain on international reserves. Total allocation in 1956[2] amounted to $513 million as compared to the 1955 total of $643 million. During the period January to May, 1956, total allocation for raw materials represented a drop of 18.4% mostly affecting less essential producer goods and a drop of 29.8% in consumer goods, both compared to the corresponding 1955 period. As a result of this tightening of exchange control, the level of international reserves rose from the 1955 year-end level of $209 million to $233.6 million on June 30, 1956.

(2) Import prices rose during the period under review, causing further deterioration of the Philippine terms of trade. Philippine terms of trade with all countries dropped from 83 in May, 1955, to 78 in May, 1956, or a net decline of 5.4%.

### 2. Price Trends—

During the period from June, 1955, to June, 1956, there was a steady general price rise. Consumer prices increased by 4% during the period, retail prices of selected commodities rose by 4.6% and general wholesale prices by 6.2%. Considering the rapid expansion of money supply which rose from ₱1,209 million in June, 1955, to ₱1,416 million in June, 1956, or an increase of 17.1%, and the aforementioned increase in the prices of imported goods, the increase in domestic prices has been remarkably moderate. Although the consumer price index for this period reached 100.2 (1949 = 100), both the retail price index (96.0) and the general wholesale price index (93.0) were still below 1949 levels.

A comparison between the general wholesale price index and the wholesale price indexes for imported and domestically produced goods, not only since 1955 but also sinnce 1950, reveals that wholesale prices for domestically produced goods have consistently and markedly lagged behind wholesale prices for imported goods. This seems to suggest that the policy of granting relatively more liberal foreign exchange for raw material imports may not have been the only factor that tended to keep the general price level from rising faster in the face of the substantial rise in the money supply and in the prices of imported commodities. Another factor that may have helped produce this may be that domestic producers have not taken full advantage of the opportunity to raise profits faster or that they were still finding difficulty in overcoming the undue consumer preference for imported goods even with substantial price differentials, or both.

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[1] Central Bank News Digest, Sept. 18, 1956.

[2] Appendix 4-01.

The growth in domestic production, the relatively inconsequential rise in prices of domestic goods, and the carry-over effects of the liberal import policy during the previous year, as well as a possible expansion of monetary holdings in the rural areas which presumably resulted in lower velocity of circulation, explain why the rapid monetary expansion after June, 1955, did not result in serious price dislocation.

### 3. Balance of Payments Trends—

As mentioned earlier, foreign exchange reserves increased from $209 million in December, 1955, to $233.6 million in June, 1956. Foreign exchange receipts in FY 1956 represented a modest improvement over those of FY 1955 but this was cancelled by a rise in import prices so that the import capacity has remained almost the same. As a result, however, of the drastic cuts in import allocation, the balance of payments position in 1956 improved somewhat.

The rise in the domestic wholesale price index[1] of imported goods from 117 in June, 1955, to 131.8 or 11.3 per cent higher in June, 1956, although partly due to somewhat higher c.i.f. prices of imported goods, is due more to the reduction of imports during 1956, coupled with the consistent maintenance of a high level of profits in the import trade[2] as well as the fact that domestic production of import substitutes has been insufficient. The rate of import substitution has been insufficient in turn because of lack of capital, especially foreign exchange for investment in productive facilities and for operation at full rated capacity, aided by the continuing undue consumer preference for foreign goods regardless of equality and price, lack of more adequate measures for maintaining product quality and standards, and the continuing greater profitability of trading and speculation in imports and in real estate.

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[1] Central Bank Statistical Bulletin, June, 1956.

[2] While the domestic prices for imported goods had an average level from 1950 to mid 1956 of nearly 30 per cent above 1949 values; the c.i.f. prices of imports had a corresponding average level throughout the period of less than 1 per cent above 1949 prices. (Central Bank, *Economic Indicators*, pp. 34 and 42, June, 1956).

### f. *Social, Political and Economic Framework*

Any program of national economic development must cover the social and political spheres as well as the economic.

A higher standard of living of the people is the core of economic growth. To attain this end, aggregate production has to be increased and the low-income groups must be particularly benefitted. Unemployment, including underemployment, must at least be significantly reduced.

In the Philippines, like in many underdeveloped countries, the productivity of labor can be increased by improving skills and working conditions. Social attitudes have to be changed—the propensity for conspicuous consumption, unreasonable preferences for imported goods, and the apparent lack of the more positive attitudes necessary to dynamic growth. The wasteful habit of dependency on relatives and of undue spending on ceremonial practices should be minimized.

A certain amount of geographical mobility of labor is necessary to relieve the pressure of population on land in certain areas and to take advantage of employment opportunities in others.

By means of its fiscal and other policies, the government must guide and assist private enterprise in order to enable it to play an increasingly effective role in economic development. It must provide the necessary economic and social overhead capital and necessary public services, and invest public funds only in essential productive enterprises where private capital is not ready or able to enter. It is incumbent upon the government to strive continuously to reduce elements of waste in public administration and public expenditure generally. It is relevant to point out that the public investment proposed in Part II is only the minor part of total government expenditure.

More credit facilities should be made available for productive private enterprise on a basis of selectivity, thus ensuring the execution of highly desirable projects which will make the greatest contribution to economic growth. Care should, however, be exercised

**in this process to prevent the harmful effects of inflation from arising.**

**Tax policies should be directed to increase public revenue and minimize the inflationary pressure. Encouragement of savings serve the same important purpose. At the same time, incentive taxation should be adopted to promote the growth and development of enterprises making use of more locally-produced raw materials providing relatively more employment for the labor force, and helping to improve the balance of payments position.**

**Controls should be exercised to the extent necessary to maintain general price stability, conserve foreign exchange reserves, and maximize capital accumulation. Such controls should be administered along democratic principles and in consonance with the development of free institutions in a democracy. These controls should be temporary in character and should be removed once the objectives for which they have been instituted are achieved or as soon as other measures are instituted and are found effective in achieving the same purposes.**

**The pattern of production should also be more definitely changed by giving more and constantly increasing relative emphasis to manufacturing and thus increasing its relative share in the national income. Agriculture, which together with mining is the present main source of foreign exchange, will continue to be improved; indeed its expansion is a necessary concomitant of the expansion of manufacturing and of the need for achieving long-run stability in the balance of payments. But it is to be expected that its relative share in the national income will decline with the growing importance of the manufacturing, mining, and service industries.**

### g. *Requirement for Achieving Objectives*

**The solution to the major problems of the economy requires a program which embodies the following fundamental policies:**

**1. A monetary and credit policy designed to give fuller support to private productive activity through a moderate expansion of the money supply, subject to the overriding principles of maintaining reasonable economic stability, and through an improvement of both the structure and management practices of the banking system so as to provide for greater flexibility in lending operations.**

**2. A foreign exchange policy designed to make foreign exchange increasingly available for uses with maximum economic**

development impact and to gradually eliminate exchange controls in order that competitive forces may eventually be given free play in the economy. An appropriate flexible tariff policy should be adopted immediately and skillfully implemented in order that the elimination of controls may be accelerated without adverse effects on the economy as a whole.

3. A fiscal policy clearly directed to the promotion of accelerated economic development through a sound tax system with increasing revenues derived from an expanding national income and the use of public credit to induce a greater and steadily growing volume of private productive investment.

4. A production and price policy aimed at diversification of the economy and increased production by providing a sufficient and efficient network of public services required by private enterprise, and by extending incentives that will lead to the maximum participation of private enterprise in economic development projects of greatest benefit to the economy. An important phase of this policy should be the bringing into play of all forces that would lead to maintenance not only of internal price stability but also that of holding general domestic prices at levels that would insure reasonable profits for domestic production and reduce if not entirely eliminate the existing windfall profits in the import trade.

5. An active commercial policy of expansion and diversification of overseas markets, enlargement of the domestic market, and improvement of the distribution system to secure greater participation by our people in the ownership and control of wholesale and retail merchandizing.

6. A social development policy of increasing the contribution of the social services to economic development in terms of skills, technology and research, health and improved human relations; of expanding education, health, labor and social welfare facilities to the greatest extent possible without unduly reducing the resources available for direct production or impairing the prosecution of high-priority development projects; and of utilizing the material wealth generated by economic development to open up opportunities for every man to attain a satisfying standard of living and self-fulfillment. One vital part of this policy is training for a sound and efficient public administration and for the managerial requirements of private enterprise as well as the preparation of the general population for broader participation in the implementation of the development program.

# CHAPTER 2 — NATURE OF THE PROGRAM AND ITS OBJECTIVES

This program constitutes in essence the first revision of the Five-Year Program of FY 1955-1959 approved by the President in 1954. It is, therefore, also a continuing program intended to be revised and updated every year by dropping off the program for the year just passed, revising that for the remaining four years, and adding another year to form the new program period. The present program, therefore, takes account of past performance as well as present conditions and future prospects.

Since the program is to be revised yearly, only the objectives for the first year are firm and not susceptible of future revision. Hence, if objectives for the later years are stated, this is done on the understanding that they are subject to future revision.

The present state of statistics and economic information in this country precludes the use of advanced techniques of econometric projection in the formulation of economic programs and setting of quantitative goals. In setting objectives for the public sector every effort has been exerted to make them as accurate as possible, at least for the first year. Nevertheless, the difficulties are such that even these should be primarily regarded as indicators of orders of magnitude rather than immutable quantities. Needless to say, quantitative expressions for the private sector are even less definitive. If they are made at all it is merely because it is realized that both the government, in pursuing its activities and implementing its policies, and the private sector, in making its investment decisions, will find them useful general guides. Furthermore, the public investment program and the assessment of its domestic and external impact must inevitably be based on some picture of the economy as a whole and its requirements. Again, this picture must be subject to later revision.

While determined efforts are now underway to improve and expand the coverage of economic statistics and other economic information in this country, it would take time before they can reach the level of adequacy necessary for a more quantitative approach to planning. It is perhaps more essential that a program, with all the shortcomings that cannot be avoided at this time, be formulated and implemented without further delay in order that concrete expression may be given to the national policy of planned development, enunciated in Commonwealth Act No. 2 as long ago as 1935, and to initiate a conscious effort to encourage the channeling of economic activities along directions that will lead to the higher level of prosperity desired by the country.

Only time will tell if the objectives are reached as planned but, even if they are not, only the first year's objectives are beyond revision. Those for the remaining years can be refined and made more realistic, not only as statistics improve, but also as experience is gained in programming and execution. At the present moment, the availability and selection of sound development projects are of overriding importance.

### a. *Investment Targets*

This program is essentially based on a public investment schedule which, together with the private investment schedule anticipated, leads to a total schedule of capital formation. These three schedules of total, public, and expected private capital formation are described later in this part and in Parts II and III.

In the absence of sufficient information, it is not possible to state exactly how the proposed investment schedule compares with actual performance in recent years. It is believed that the investment schedule proposed represents a distinct increase over actual investment in recent years, yet on the other hand it is a moderate schedule in relation to the national income and should not impose any excessive strains on standards of living or, given appropriate policies, on economic stability.

In fact, if the national income should grow at the expected rate, and if there is a vigorous development and promotion of savings and of government revenue, and if the balance of payments picture is reasonably favorable, it should perhaps be possible to revise the present investment schedule upwards for the later years of the program. Such an increase would be desirable in order to make a more rapid impact upon the unemployment situation. At present, over the program period, no special increase in the ratio of investment to expected national income is scheduled. The nature of the program, under which yearly revision is required, should make it possible to consider such possibilities of increasing investment periodically in the light of better information and the economic trends of the near future.

For purposes of forming a picture of the Philippine economy as a whole in the five years ahead, it has been assumed that the rate of growth in aggregate national income would be about 6 per cent yearly. It is hoped that the achievement of the investment schedule laid down, together with the effects of the improvements in policies and implementation expected to result from the adoption of this program, would enable the total national income to continue to grow at or even above this rate.

The above assumption of an average rate of growth, like others, would be subject to periodic revision, as more information and experience become available and the opinions of the various branches of government and of the general public are expressed. It must be recognized, of course, that differences in sectoral gains would and should occur. For instance, agricultural production is expected to increase at about 4 per cent a year, manufacturing at 14 per cent a year, and mining at 18 per cent a year. (See Appendix 1-07).

### b. *Employment Targets*

The public investment program and what is hoped to be invested by the private sector are estimated to amount to a total of about ₱5.2 billion. If this level of total investment materializes, it is expected to generate directly and indirectly a total of 1.5 million jobs from FY 1957 to 1961, an average of 300 thousand annually.

As manufacturing grows in relative importance, its capacity for employment will also increase, specially if the manufacturing enterprises are not in the main capital-intensive. In the more highly developed countries, from 21 to 47 per cent of the total labor force is employed in the manufacturing industries whereas in the Philippines the corresponding percentage is estimated at only 11 in 1956.

With the development of small-scale industries and the improvement in industrial technology, the amount of disguised unemployment and underemployment especially in agriculture would gradually be reduced. More concerted efforts should be exerted to make a more rapid impact on the unemployment situation by increasing investment, by developing more labor-intensive techniques, and by community development. It is believed that full implementation of the present program would reduce the level of unemployment to about 10 per cent of the labor force by the end of the program period.

### c. *Balance of Payments*

In order to reduce the unfavorable balance of trade and remedy the chronic pressure on international payments, four approaches to the problem should be considered. First, our policy to encourage accelerated development of those manufacturing industries which utilize the greatest amount of locally-produced raw materials must be continued. Second, the development of new exports into new as well as old markets should be encouraged by appropriate incentives. From 1950 to 1955, the Philippine trade with the United States represented about 64 per cent of her total foreign trade. Third, nonessential imports should be reduced as much as possible by the production of local substitutes, and as much as possible by a shift of consumption demand to items that, at least in the long run, can be economically produced locally. Fourth, tax policy as well as more indirect incentive measures must be adopted to sop up the windfall gains in import trade and rechannel investment from it and from other speculative ventures into productive enterprise.

To depend entirely on an inflow of foreign capital may not be a good way to balance our international payments. Sooner or later, these foreign investments will require an outflow of foreign exchange in the form of profits, interest, and amortization of capital, and unless by that time additional exports shall have been promoted, or imports successfully substituted, balance of payments difficulties would reappear if not intensify.

### d. *Structural Change*

It is desirable to change the structure of the economy so that there will be more dependence on internal diversified production and correspondingly less dependence on a few basic exports. The four principal exports of the country; namely, copra, sugar, abaca and logs, from 1950 to 1955 represented about 80 per cent of the export trade. Hence, the country's international payments position depends heavily on the demand for and the prices of these commodities in the world markets, particularly in the United States. It should also be noted that employment in the manufacturing industries is more of the steady type compared with that in agriculture in which employment is largely seasonal and part-time.

The ten principal imports of the country from 1950 to 1955 represented about 68 per cent of the total imports. Many of these imported items such as textiles, food products, simple metal manufactures, and paper, can and should be produced locally with reasonable efficiency. Once iron smelting and rolling capacity of the magnitude proposed in the program is established, a start can also be made in the production of industrial equipment. In this manner, the drain on the foreign exchange reserves could be partially but progressively reduced by structural change and our internal productive capacity developed.

### e. *Capital Formation*

In an underdeveloped country like the Philippines, the following are some of the basic assumptions on capital formation that must be kept in mind:

1. Due to a propensity for conspicuous consumption and weaknesses of the fiscal system, a large part of the savings potential is not utilized for capital formation.

2. With the per capita real income close to subsistence level, a large part of capital formation must come from the profits of business enterprises and from voluntary savings or taxation of individuals, mostly from the middle and upper income groups.

3. Domestic savings being inadequate, foreign capital has to be tapped in order to promote the development of the impulse sectors of the economy.

4. Since capital equipment is largely imported, capital formation creates a pressure on the country's foreign exchange reserves and the availability of foreign exchange may set the effective limit on capital formation.

#### *Projected Rate of Capital Formation*

One of the determinants of a country's economic growth is its rate of capital formation, or that fraction of the net value of goods and services produced by the country which is not consumed and is actually utilized to increase the stock of productive facilities. Other things being equal, the larger this fraction is, the greater the country's potential growth.

As in many other underdeveloped countries, the rate of net capital formation in the Philippines is relatively low. The available data are not sufficient to determine the precise percentage, but it is certainly below 10 per cent of gross national product. A fundamental impediment to a higher rate of capital formation is the low incomes of the people which consequently allow only a low rate of savings. In addition, whatever voluntary savings are realized are not fully utilized in new productive investment. If the Philippine economy is to grow at an accelerated rate, a higher level of productive investment must occur without impairing our already low standard of living. The Philippines is, therefore, faced with the necessity of marshaling those financial resources which are available or can be made available to it and putting them into new and productive investments in order to promote real economic growth. Once such further growth occurs, it should be possible to plow back part of the improvement and step up the rate of capital formation without undue hardship.

This program, covering the five-year period 1957-1961, outlines what is believed possible in the way of marshaling the country's financial resources, and, given a particular magnitude and pattern of investment, outlines the magnitude and pattern of economic growth (in terms of real income and employment) which are expected to result therefrom.

The increases in national income expected in the program are distributed among sectors of the economy so as to establish a pattern and direction towards balanced development, with manufacturing to increase at a relatively faster rate than agriculture, so that the structure of the economy should be kept in balance with the changing nature of demand at rising income levels.

Appendices 1-02, 1-05, and 1-07 indicate the distribution of the nation's income and reflect the nature and scope of the desired structural changes.

Appendix 1-08 shows the pattern of the nation's product and expenditures (private and public) which underlies the projected picture of income growth and structural readjustments. The distribution of total means provides for 83 per cent of total national income to be devoted to individual consumption needs, allowance is made for possible balance of payments deficits and "non-investment-type" government outlays, and account is taken of the amount considered necessary and feasible for private and public investment purposes.

*Orders of Magnitude*

A satisfactory rate of economic development requires an adequate and realistic investment program. This program contemplates about ₱3.2 to ₱3.5 billion of private net investment and ₱2 billion in the public sector. No specific provision has been made in these figures for increases in inventories which may also become necessary with higher levels of economic activity.

The direct cost of the investment program consists of foreign exchange for the purchase abroad of the required industrial-type machinery and equipment not available domestically, and internal currency for the procurement of locally available materials and services. The public investment program calls for a total outlay in foreign exchange of about $327 million and a total peso outlay of about ₱1,346 million, or roughly 33 per cent and 67 per cent, respectively, of the total projected public investment. Additional foreign exchange and peso financing will be required by whatever level of private investment may be attained, the composition of which cannot be determined at this time.

# PART II—*PUBLIC INVESTMENT*

## CHAPTER 3—THE PUBLIC INVESTMENT PROGRAM

### a. *The Overall Program*

The overall development program for the public sector embraces not only expenditures for capital goods, but also expenditures for durable consumer goods and for the development of human resources through improvements in education, health, and research. It is designed to enable the country to advance simultaneously in agriculture, industry, and other economic fields as well as in health and education. It aims to improve the standard of living by placing the economy on the road to balanced development while at the same time giving proper attention to education and public welfare services.

In drawing up the five-year development program, the primary objective has been to take into account both the needs and potentials in all the sectors of the economy. In order to bring about the essential conditions that will induce private entrepreneurial activities and encourage greater private investment in desirable development projects, public financing of economic and social overhead projects and those that will create the necessary long-term basis for supplementary private enterprises is provided. For this reason, in the formulation of the transportation and other public investment programs, careful consideration has been given to those projects that will have the greatest possible impact on the private sector. Emphasis is placed, for instance, on feeder roads construction which will link the barrios to market outlets, and on the railroad and highway trunk lines which are vital to agricultural growth. Likewise, public investment in agriculture is designed to promote agricultural land settlement and greater production in areas to be opened up or made more accessible by improved roads. The proposed public projects in manufacturing and in mining are similarly directed towards utilizing the expected increase in agricultural production as well as creating preconditions for extended private production in industry and the exploitation of the natural resources of the country.

Investment of public funds in power and water supplies is planned to meet the needs of new industries and the anticipated growth of the urban and rural population. These are the capital-intensive projects of the public sector which are calculated to produce external economies in other sectors and thus give an impulse to the growth of private enterprise.

The basic educational, health and social welfare programs are designed to provide for essential social needs and also help increase productivity in the more directly productive sectors.

In the choice and implementation of public projects for economic development, strong emphasis must be put on preparatory and exploratory economic and technical studies which will determine the soundness and efficiency of individual projects. The work of the Industrial Development Center, for instance, should be strengthened in terms of greater assistance to entrepreneurs looking for profitable opportunities for investment and of stimulating better preparation for operational and financial management. Contracts with competent consultant firms should, whenever necessary, be entered into for the purpose of determining the feasibility and profitability of projects for development.

A more precise treatment and proper classification of actual development expenditures, as distinguished from ordinary capital outlays or outlays for permanent public improvements, have to be contained in the fiscal budget presentation each year. These are essential to sound budget planning and to a correct appraisal of the proportion of public capital expenditures devoted to economic development.

The summary of the five-year public development program, presented below, outlines the main investment objectives during the period.

# THE OVERALL PUBLIC INVESTMENT PROGRAM FOR ECONOMIC DEVELOPMENT [1]
## FY 1957 — FY 1961

(In Million Pesos)

|  | Actual |  |  |  |  |  | Total |
|---|---|---|---|---|---|---|---|
|  | FY 1955 | 1957 | 1958 | 1959 | 1960 | 1961 | 1957-61 |
| *AGRICULTURE* | 28.1 | 54 | 59 | 62 | 64 | 68 | 307 |
| Agricultural services | 17.1 | 27 | 30 | 32 | 33 | 36 | 158 |
| Irrigation construction | 11.0 | 27 | 29 | 30 | 31 | 32 | 149 |
| *INDUSTRIES* | 10.8 | 107 | 85 | 81 | 84 | 76 | 433 |
| Manufacturing [2] | 6.5 | 96.5 | 72.5 | 67.0 | 67.5 | 58.5 | 362 |
| Mining | 4.3 | 10.5 | 12.5 | 14.0 | 16.5 | 17.5 | 71 |
| *SERVICES (UTILITIES)* | 136.8 | 179 | 190 | 196 | 204 | 211 | 980 |
| Trans. & Com. | 65.6 | 85 | 91 | 95 | 97 | 98 | 466 |
| Public Works [3] | 28.0 | 42 | 43 | 43 | 44 | 44 | 216 |
| Public Utilities | 43.2 | 52 | 56 | 58 | 63 | 69 | 298 |
| *SOCIAL DEVELOPMENT* [4] | 8.3 | 25 | 27 | 28 | 30 | 30 | 140 |
| Health | 3.9 | 11 | 13 | 14 | 14 | 14 | 66 |
| Education | 4.3 | 13 | 13 | 13 | 14 | 14 | 67 |
| Labor & Social Welfare | .1 | 1 | 1 | 1 | 2 | 2 | 7 |
| GRAND TOTAL | 184.0 | 365 | 361 | 367 | 382 | 385 | 1,860 |

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SOURCE: Estimates based on information obtained from the various budgets and balance sheets of government-owned or controlled economic enterprises.

[1] The suggested targets in each sector are stated in round figures. They indicate orders of magnitude rather than precise quantities.

[2] Investment in 1955 represents increase in investment of Cebu Portland Cement Company and National Shipyards and Steel Corporation.

[3] Consists of flood control, public buildings and housing projects.

[4] Development expenditures in social development consist of purchase of tools, equipment and books and technical training of staff; and exclude construction of schools, hospitals and medical centers, low-cost housing and water supply which are already included in the public utilities and public works sectors.

It will be noted that the bulk of public investment is allocated for the construction of public service facilities, such as transportation, public utilities, irrigation, communications and the like which are necessary for the growth of competitive private enterprise. Because of its recognized importance to the economy, the industrial sector also receives a substantial share of the proposed investment. This is an area of public financing that is expected to bring about readjustments in the economic structure through augmenting private industrial investment.

In order to help achieve the hoped-for levels of development for the whole country, the program of public investment provides for an allocation of resources different from that which prevailed in 1955. The shift in emphasis will occur in 1958 and will become more dominant over the course of the five-year program. Thus, with a considerable increase in the amount of resources allocated to the industrial, transportation and public utilities sectors, the relative allocation for agricultural development is correspondingly reduced, although in absolute terms it will be higher than in 1955 and will continue to grow.

The shift in emphasis is necessary also because of the limited areas in which public investment is to be made in the future. Necessarily, the program is heavily weighted in the area of basic services and heavy basic industries which are not likely to be undertaken at present or in the near future by private enterprise. To support industrialization, an increasing level of investment in power is provided for, inasmuch as the power industry is one that private enterprise is not likely to enter[1] to any great extent and yet power is essential to private industrial expansion.

### *Impulse Sectors and Private Investment*

Private investment is essential to overall economic development in this country. In order to increase private capital formation which is vital to the success of the development program, public investment is proposed to be concentrated in the impulse sectors, as shown in the tabulation below. The underlying consideration is that public investment in these sectors will create a favorable climate and new opportunities for increased private investment.

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[1] In particular, development of the hydro-electric potential is by law reserved to the National Power Corporation.

## INVESTMENT IN IMPULSE SECTORS
### FY 1957 to FY 1961

| Sector | Amount (Million Pesos) | Per cent Distribution |
|---|---|---|
| 1. *Agriculture* | 307 | 23.9 |
| a. Land improvement and development | 89 | 6.9 |
| b. Agricultural extension services | 2 | .2 |
| c. Agricultural research | 2 | .2 |
| d. Livestock production services | 21 | 1.6 |
| e. Fish production services | 19 | 1.5 |
| f. Forestry production services | 21 | 1.6 |
| g. Seed improvement | 4 | .3 |
| h. Plant pest and disease control | [a] | —— |
| i. Irrigation construction | 149 | 11.6 |
| 2. *Public Services (Utilities)*: | 980 | 76.1 |
| a. Transportation & communications | 466 | 36.2 |
| b. Public works [b] | 216 | 16.8 |
| c. Public utilities | 298 | 23.1 |
| Total ............... | 1,287 | 100.0 |

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[a] Less than half a million.

[b] Excluding irrigation.

The recommended projects in these sectors which are in a large measure closely related with the process of expansion of productive capacity are expected to stimulate and increase private investment in the desired areas of development.

To accelerate the development of basic industries, an industrial development program to be financed with public funds is included in the plan. The emphasis in the program is on private enterprise participation, with the government going into the following activities only:

1. Creating basic industries and other industrial activities, which private capital is not presently ready or able to undertake and which lead to external economies that will make other private investment profitable.

2. Placing additional or related industrial plants in certain regions of the archipelago.

3. Ensuring the further development of industries now under government control.

The program, therefore, considers that government action, either through public investment or through policy, is of vital importance in creating an economic environment that would induce greater private capital formation.

*Preventing Inflation and Conserving Foreign Exchange*

Expenditures of the National Government, through the general, special, and other funds as well as through its economic enterprises, are responsible for a considerable proportion of the total money flow in the economy. As a result, the financial operations of the National Government play a crucial role in determining monetary stability which is essential to economic development.

The recommended level of government expenditures in the program, as shown in the table below, is believed to be justifiable. This is based on considerations concerning the reasonable proportion of the gross national product that can be diverted to government purposes to secure the desired levels of development without undue inflation.

### GROSS NATIONAL PRODUCT NATIONAL GOVERNMENT EXPENDITURES AND INVESTMENT FY 1957-1961

(In million pesos)[1]

| Items | 1957 | 1958 | 1959 | 1960 | 1961 | 1957-61 |
|---|---|---|---|---|---|---|
| GROSS NATIONAL PRODUCT | 10,077 | 10,712 | 11,387 | 12,107 | 12,874 | 57,157 |
| Government Current Expenditures | 714 | 771 | 832 | 899 | 971 | 4,187 |
| Government Net Investment | 385 | 393 | 401 | 408 | 413 | 2,000 |
| Debt Service | 110 | 121 | 133 | 146 | 161 | 671 |
| TOTAL PUBLIC INVESTMENT AND PUBLIC EXPENDITURES | 1,209 | 1,285 | 1,366 | 1,453 | 1,545 | 6,358 |
| Ratio of Govt. Current Expenditures to GNP, per cent | 7.1 | 7.2 | 7.3 | 7.4 | 7.5 | 7.3 |
| Ratio of Govt. Net Investment to GNP, per cent | 3.8 | 3.7 | 3.5 | 3.4 | 3.2 | 3.5 |
| Ratio of Total Public Investment and Expenditures to GNP, per cent | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 |
| Ratio of Govt. Net Investment to Total Public Investment and Expenditures, per cent | 31.8 | 30.6 | 29.4 | 28.1 | 26.7 | 29.3 |

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[1] Rounded to the nearest million.

As may be noted from the above table, the recommended government investment amounts to ₱2 billion, whereas, on page 24, the total cost of specific projects recommended for public investment amounts only to ₱1,860 million. The difference of ₱140 million is proposed to be utilized to finance the time deposit and guarantee operations of the government recommended in Chapter VIII, Section (b) of the program.

For the entire program period, government outlays for investment and current expenditures represent about 12 per cent of the GNP. This ratio, which is lower than that prevailing in many countries of Asia,[1] appears reasonable and within the capacity of our economic structure to support. Moreover, over one-fifth of the projected total government outlays is for development projects which are income-generating.

It is believed that the proposed public outlays can be absorbed by the economy although a slight price rise caused by the injection of additional money into the income stream may occur initially. It must be recognized that some inflationary pressures may be generated which would have to be counteracted by specific measures.

In order to ensure continued economic development without serious inflationary consequences, the program recommends that any substantial rise in particular government expenditures be balanced by a reduction in other less essential government expenditures, an increase in taxation so as to reduce private consumption expenditures, or government borrowing from the public so as to siphon off excess purchasing power. The first two methods would tend to reduce government deficits which exert strong inflationary pressure and the other method would provide non-inflationary ways of financing the deficits but offers less promise at the present time. The present practice of borrowing from the Central Bank should then be minimized in order to avoid overexpansion of credit on the government account.

Closely associated with the problem of inflation is the proper utilization of foreign exchange. In an agricultural economy like the Philippines, the volume of foreign exchange earnings in any given period is in a large measure affected by changes in world prices, owing to the inelastic demand for primary export commodities. A large proportion of goods consumed continues to be imported indicating a wide gap between national requirements and supplies produced domestically. Because of its unbalanced economic structure, the country is compelled to maintain a high volume of imports in order to satisfy domestic consumption requirements and avoid inflation. However, because of the deterioration in its terms of trade in recent years, the absolute increase in foreign exchange earnings from year to year has not been sufficient to satisfy the growing import requirements for both consumer and capital goods. Moreover, price fluctuations make foreign exchange earnings difficult to forecast for the future.

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[1] According to the "Economic Survey of Asia and the Far East, 1954," the ratio of government expenditures to GNP in the following countries in 1953 was as follows: Burma, 21%; Ceylon, 19%; Japan, 19%; and the Philippines, 9%.

Whenever the domestic supplies of essential consumer goods prove inadequate, the foreign-exchange reserves may be utilized to fill the gap and thus moderate any inflationary tendencies. But this is only possible if previously the reserves have been raised above the essential minimum level as may be determined by the Monetary Board of the Central Bank.

### b. *Determination of Priorities*

The five-year public investment program has been formulated upon the basis of some deliberately chosen scale of values or priorities. The following factors have been considered:

1. The need for the product, service, or training at the present stage of economic development.
2. The quantity and quality of the necessary domestic raw materials available.
3. The volume and kinds of manpower required in relation to supply.
4. The contribution of the proposed investment to national income.
5. The amount of capital required in relation to manpower and value of product, and the relative amounts of domestic and foreign capital investments.
6. The contribution of the proposed investment to improvement of the balance of payments.
7. The types of skills and managerial ability required.
8. Basic services required and by-products to be provided, i.e., the interrelationship of the activity in question with other types of economic activity.
9. The minimum size of an economical production unit in relation to the market.

From these considerations, certain working rules are derived:

1. Because per capita income is low, the production of low-cost essentials should receive preference over the production of luxury items.

2. Because the Philippines has relatively little capital and much manpower, projects requiring large amounts of labor in relation to capital should receive preference, other things being equal.

3. Because only limited amounts of foreign exchange are available, foreign exchange-saving and foreign exchange-earning projects requiring a high proportion of domestic funds should have preference over those requiring a high proportion of foreign funds.

Based on the foregoing considerations, the order of project priorities for economic development in the public sector is recommended in the program as follows:

*First Priority*:

1. Capital-intensive, basic foreign exchange-saving and foreign exchange-earning industries presently not attractive to private enterprise but urgently needed to be developed.
2. Power
3. Irrigation
4. Transport

*Second Priority*:

1. Barrio or feeder roads
2. Trunk roads in areas of prospective rapid development or settlement
3. Barrio wells
4. Schools
5. Home industries
6. Waterworks
7. Flood control projects
8. Major roads or highways
9. Housing
10. Hospitals and health units
11. Public buildings

In the determination of priorities among competing industrial projects, a priority system[1] has been approved by the National Economic Council and recommended to the President[1] for adoption as an overall instrument of allocation of resources to effect the structural adjustments desired. This system includes a determination of essentiality of the product, its effect on national income, its impact on other industries, its employment creation, and its effect on the balance of payments, as factors in assessing priorities.

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[1] See Appendix 3-01.

This system also takes account of relative priorities between major categories of industries as well as between industries in the same general category.

While this system is mainly applicable to public policies in relation to private industries, it is also applicable to government productive enterprises. Exception may be made of essential non-profit making service undertakings of the government, such as agricultural extension, health services, research, and social overhead projects the importance of which can be assessed not in terms of direct benefits but only in terms of indirect and intangible benefits, principally the impulse they give to increased private productive effort.

This system is intended to be flexible and subject to periodic review and revision in the light of changing circumstances and as experience in its application accumulates. A high-level technical committee will be entrusted with a continuing evaluation of the adequacy of the system and the determination of factors that may justify revision or, in specific cases, argue for the use of other criteria, qualitative as well as quantitative.

The figures set forth in the public development program are intended to indicate the direction, magnitude and relative timing of investment in those fields which appear most promising under present conditions. Only by constantly reviewing and adjusting the investment schedule in the light of changing conditions and economic trends could the various government agencies implement the program realistically and use the program recommendations to the best advantage.

### c. *Agricuture and Forestry*

While agriculture is generally recognized as the backbone of the nation's economy, government promotion of agricultural development has not been pursued vigorously enough. Vast rich lands on the island of Mindanao in the south and in the Cagayan Valley in the north, on which a large variety of food and export crops can be grown, are available for development. However, many of these lands have been only partially and ineffectively developed. Financial institutions have extended very little credit for the installation of permanent land improvements or for the adoption of soil building and soil conservation practices. Available credit, in general, has been confined to current production and to a relatively small number of large landholdings. At the same time the squatter problem has become so widespread as to constitute a deterrent to faster development.

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[1] This was approved by the President in the Cabinet meeting of January 9, 1957.

Agricultural production must expand if the country is to provide for its basic needs and at the same time carry out an overall development program. This expansion must be accompanied by improvement in methods of production, reduction in production costs, and rationalization of marketing and distribution.

Forestry development also offers one promising avenue towards expansion of exports. However, lack of adequate information on the forest resources precludes determination of the maximum safe limit of utilization. Prudence dictates that expansion of utilization of forest products must be accompanied by more rigid enforcement of forest protection laws, by employment of logging practices leading to sustained yield and by accelerating the reforestation of barren lands.

### *Agricultural Production Program*

In preparing a detailed agricultural program[1] it is essential, however difficult, to take into account the interrelation of all the factors involved. For example, it would not be sufficient to ask for increased cotton production unless outlets for cotton are developed at the same time. The agricultural and industrial programs, in this respect, should complement each other. The various phases of the program must be synchronized with each other without any one part forging too far ahead of the other or the whole program may become unbalanced.

*Overall Agricultural Goals.*—This program aims to increase the level of agricultural production to the point where the demands for food, agricultural raw materials, and exports corresponding to the hoped-for levels of income can be met.

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[1] Appendix 2-01 gives the detailed public investment schedule for agriculture.

In performing its allotted function in thus contributing to rising national income levels, the agricultural production program is designed to accomplish the following:

1. Attain self-sufficiency in food items and meet about 65 per cent of the requirements of fiber materials for clothing.

2. Maintain and wherever feasible increase the volume of present exports while other export industries are being developed.

3. Provide raw materials necessary for the expansion of manufacturing activity and for the replacement, wherever possible, of presently imported raw materials.

To help accomplish these goals, the government must provide for public services, including extension, research, regulation, etc., essential to the promotion of vigorous private participation in the program. In addition, a program of expansion of the present irrigation systems and construction of new ones must be undertaken to supplement the efforts to increase production.

Classified by major types of services for agricultural development, the magnitudes of the planned public investments in agriculture are as follows:

### FIVE-YEAR AGRICULTURAL DEVELOPMENT PROGRAM
### (Summary of Investments in the Public Sector)
### (In Million Pesos)

| | 1957 | 1958 | 1959 | 1960 | 1961 | Total[a] 1957-61 |
|---|---|---|---|---|---|---|
| *Agricultural Services*: | 27.4 | 30.1 | 31.6 | 33.3 | 36.0 | 158 |
| Land improvement | 16.4 | 15.8 | 18.3 | 18.8 | 19.7 | 89 |
| Agricultural extension | — | 1.9 | — | 0.4 | — | 2 |
| Agricultural research | 0.5 | 0.3 | 0.3 | 0.4 | 0.3 | 2 |
| Livestock production services | 3.1 | 3.4 | 3.6 | 4.7 | 5.8 | 21 |
| Fish production services | 3.6 | 3.7 | 3.8 | 4.0 | 4.2 | 19 |
| Forest development | 3.4 | 3.7 | 4.3 | 4.6 | 4.9 | 21 |
| Seed improvement | 0.3 | 1.3 | 1.3 | 0.4 | 1.0 | 4 |
| Plant pest and disease control | 0.1 | — | — | — | 0.1 | — |
| *Irrigation Construction* | 27.0 | 29.0 | 30.0 | 31.0 | 32.0 | 149 |
| Total[a] | 54 | 59 | 62 | 64 | 68 | 307 |

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[a] Rounded to nearest million.

Classified by type of production desired to be promoted, the above investments in public agricultural services excluding irrigation contruction may be further broken down as follows:

| Type of Production | 1957 | 1958 | 1959 | 1960 | 1961 | Total [a] 1957-61 |
|---|---|---|---|---|---|---|
| Crop production | 16.3 | 15.8 | 18.3 | 18.8 | 19.7 | 88 |
| Livestock production | 3.1 | 3.4 | 3.6 | 4.7 | 5.8 | 21 |
| Fish production | 3.6 | 3.7 | 3.8 | 4.0 | 4.2 | 19 |
| Forestry development | 3.4 | 3.7 | 4.3 | 4.6 | 4.9 | 21 |
| Miscellaneous agricultural services (extensión & research) | 0.9 | 3.4 | 1.6 | 1.3 | 1.4 | 9 |
| Total [a] | 27 | 30 | 32 | 33 | 36 | 158 |

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[a] Rounded to nearest million.

*The Irrigation Program*

The part of the public investment program in agriculture which is for expansion of the farm area provided with irrigation constitutes completion and construction of large gravity type systems of the national government, small pumped irrigation systems for eventual sale to groups of farm owners, and communal irrigation systems. The investment schedule for this purpose is as follows:

### ESTIMATED PUBLIC INVESTMENT IN IRRIGATION FY 1957 TO FY 1961

(In Million Pesos)

| Type of System | 1957 | 1958 | 1959 | 1960 | 1961 | Total [a] 1957-61 |
|---|---|---|---|---|---|---|
| Gravity type, National Government | 22.6 | 24.6 | 25.6 | 26.2 | 27.0 | 126 |
| Pumped Irrigation | 2.4 | 2.4 | 2.4 | 2.8 | 3.0 | 13 |
| Communal | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 10 |
| Total [a] | 27 | 29 | 30 | 31 | 32 | 149 |

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[a] Rounded to nearest million

These projects are expected to irrigate an additional area of 367,000 hectares. This will result in added production valued at from ₱60 to ₱80 million a year beginning 1961.

### d. *Manufacturing and Mining*

Public participation in the development of industrial resources in the Philippines dates back to 1936 when the first of the government industrialization programs was began through the National Development Company,[1] a public corporation created under Commonwealth Act No. 182. Since then, government manufacturing activity has grown to a certain extent to include other fields. The philosophy behind this activity has been for government to engage in productive enterprise only in a pioneering spirit, to lead the way for private enterprise to take over in due course. In 1955, under the Office of Economic Coordination, the following government corporations or agencies were engaged in industrial production and development: Cebu Portland Cement Company, National Power Corporation, National Shipyards and Steel Corporation, and the Institute of Science and Technology, in addition to the National Development Company whose activities are presently limited to textile production, a certain amount of farming, and operation of three ocean-going ships. While the scope of activity and the contribution of these entities to the total economy are limited, they have in a large measure helped to lay the foundation for industrial development.

However, in spite of past efforts to industrialize, the Philippine economy continues to be predominantly agricultural. But while it is unlikely that any large-scale industrialization can take place at this stage, it is necessary for the country to have an industrial plant of sufficient size to process the numerous products, particularly among those that are now exported as raw materials and then imported as finished products, which can contribute to an increase in export earnings, a reduction of imports, and a better utilization of native raw materials and skills. This is, in fact, the initial step toward the attainment of a more diversified economy in the near future.

The mineral resources of the country are in a large measure still to be explored and developed. Only the deposits of precious metals have been worked to any extent although some exploitation and explorations are now being undertaken in copper, iron, coal and chromite.

A well conceived and coordinated plan for the growth of small to medium-sized industries in the private sector should help bring greater economic stability and independence to the national economy. However, industrial expansion must be complementary to agricultural and mining expansion if the overall development program is to succeed and balanced growth instituted.

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[1] National Development Company is now engaged in the operation of the following enterprises, viz., textile mills, cotton, houseweaving, overseas shipping and farming.

*Manufacturing Development Program*[1]

The program presents an integrated scheme in which the investment in each project is related to those in other fields as well as to those anticipated in the private sector. The proposed projects which are considered to be within the limit of government funds that are likely to be available in the next five years are calculated to stimulate private investment. The program anticipates that the greatest relative expansion in private investment will be in manufacturing industries.

*Overall Goals.*—It is only through a steadily accelerated rate of growth in manufacturing and mining activity in relation to other economic activities that the twin objectives of balanced economic development and a rising level of production and income can be achieved in the foreseeable future. To accomplish these objectives, it is proposed that the following schedule of public investment in manufacturing be carried out:

### ESTIMATED PUBLIC INVESTMENT IN MANUFACTURING AND MINING
### FY 1957 to FY 1961
(In Million Pesos)

| Sector | 1957 | 1958 | 1959 | 1960 | 1961 | Total [a] 1957-61 |
|---|---|---|---|---|---|---|
| Chemicals | 28.8 | 15.7 | 21.8 | 36.3 | 26.4 | 129 |
| Iron & Steel & Drydock | 36.5 | 19.0 | 14.3 | 5.8 | 3.7 | 79 |
| Textiles | 7.4 | 4.0 | 9.1 | 4.0 | 1.7 | 26 |
| Non-Metallic minerals | 10.5 | 10.5 | 7.5 | 2.5 | — | 31 |
| Fuel | — | 8.6 | 1.4 | —. | — | 10 |
| Mining | 10.5 | 12.5 | 14.0 | 16.5 | 17.5 | 71 |
| Other industries | — | 9.2 | 9.2 | 15.3 | 23.0 | 57 |
| Industrial research | 13.5 | 5.4 | 3.7 | 3.7 | 3.7 | 30 |
| Total [a] | 107 | 85 | 81 | 84 | 76 | 433 |

[a] Rounded to nearest million.

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[1] Appendix 2-02 gives the details of the manufacturing and mining program in the public sector.

By inducing greater investment in the private sector, this program aims to increase total manufacturing production by about 14 percent a year, compared to the compound rate of 8.8 per cent for the period 1950-1955.

*Details of the Manufacturing Program.*—In addition to its primary purpose of directly increasing production, this program is designed to accomplish the following:

1. Stimulate greater investment by the private sector in the manufacturing industries.
2. Encourage diversification of the economy.
3. Expand the domestic market for locally manufactured goods.
4. Increase the utilization of local raw materials and labor.

The recommended public investment in manufacturing is to be allocated among the following projects to be carried out by the government as part of its responsibility under the economic program.

## PROGRAM OF GOVERNMENT MANUFACTURING PROJECTS FY 1957 TO FY 1961

| *Project* | *Proposed Location* | *Annual Capacity* | *Capital[1] Requirements (MillionPesos)* |
|---|---|---|---|
| A. *Chemicals*: | | | 129 |
| 1. Ammonium Sulfate Unit #2 | Lanao | 50,000 MT | 15 |
| 2. Ammonium Sulfate Unit #3 | ” | 50,000 ” | 15 |
| 3. Urea | ” | 30,000 ” | 18 |
| 4. Ammonium Nitrate | ” | 30,000 ” | 16 |
| 5. Munition Plant | ” | 5,000 ” | 20 |
| 6. Triple Superphosphate | ” | 30,000 ” | 4 |
| 7. Industrial Explosives | ” | 3,000 ” | 3 |
| 8. Potassic Fertilizer | ” | 30,000 ” | 10 |
| 9. Coal Derivatives | ” | — | 18 |
| 10. Nitro-phos | ” | 20,000 ” | 4 |
| 11. Nitro-cal | ” | 30,000 ” | 6 |
| B. *Iron & Steel & Dry Dock*: | | | 79 |
| 1. Integrated Pig Iron Smelting and Steel Mill | Lanao, Cam. Norte, Bulacan, Cebu | 159,00 ” | 59 |
| 2. Dock & Shipbuilding yard | Mariveles | | 20 |
| C. *Textiles* | | | 26 |
| 1. Ramie | Mindanao | 10.6 mil. yds. | 26 |
| D. *Non-Metallic Minerals*: | | | 31 |
| 1. Cement | Mindanao | 6 mil. bags | 31 |
| E. *Fuel*: | | | 10 |
| 1. Coke-oven | Zamboanga | 85,000 MT | 10 |

| | | |
|---|---|---|
| F. *Mining*: | | 71 |
| 1. Coal Development | | 51 |
| 2. Geophysical & Geological Surveys | | 20 |
| G. *Other Industries*: | | 57 |
| 1. Machine tool plant | Manila | 18 |
| 2. Industrial machinery plant | " | 20 |
| 3. Ball & Roller bearing plant | " | 9 |
| 4. Miscellaneous | | 10 |
| H. *Improvement & expansion of Industrial Research*: | | 30 |

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* Rounded to nearest million.

On the basis of the overall general priority principles discussed on pages 29 to 31, the following priorities have been applied in the selection of industries for public development:

1. Industries the output of which will replace as much as practicable consumer goods and raw materials presently imported.

2. Industries that are basic but which private capital is not at present ready or able to undertake but which need to be established as soon as possible to complement industries privately-owned and privately-operated.

The industries included in the program are considered the most suitable for development by the government. However, not all the industries recommended for expansion can be developed at once on a large scale. By and large, growth is expected to be gradual so that managerial staffs and workers can be trained and techniques and practices adapted to the special conditions prevailing in the country can be evolved. In general, the projects recommended should have first priority claims on investment funds.

It is recommended that the Budget Commission review all current investment programs of the government and, whenever possible, make adjustments in the light of the priorities suggested in the program. The following policy recommendations are presented:

1. Some basic industries wherein private investors are not able or ready to enter, but for the products of which there is sufficient demand and which seem otherwise indicated for public investment, should be undertaken by the government.

2. The government should not encourage the development of industries that do not contribute to the net productivity of the country.

3. The government should adhere to the recommended priorities in formulating economic and financial policies that will in-

fluence and stimulate the direction and magnitude of private investment in manufacturing and mining.

4. The government should continue to improve and expand the facilities for industrial research.

5. Long-term industrial credit should be made available by the government on easy terms on a selective basis.

6. The government should enter into partnership, if necessary, with private enterprise in the prosecution of high-priority industrial projects.

7. In order to make possible the early termination of export and import controls, the government should adopt a protective tariff policy, supplemented with an appropriate internal tax policy, as an instrument for fostering the healthy growth of domestic industries.

Whenever private enterprise manifests an intention to establish with its own resources or with government aid any of the manufacturing projects scheduled in the public investment program, it should be encouraged to do so and the public resources that will thus be released transferred to other priority projects.

*Mining Development Program*

Development of mineral resources will be largely undertaken by private interests. Direct government participation in mineral development will consist only of investment in the expansion of the Malangas, Argao, and Uling coal mines and the development of other coal areas, which is planned to increase from ₱6.5 million to ₱13.5 million annually; and in geophysical and geological surveys to extend the knowledge available of our mineral resources and involving an annual outlay from ₱4 million to ₱4.5 million during the program period.

### e. *Public Services (Utilities) Program*

Basic services consisting of transportation, communications and public works, and public utilities have two important elements in common. First, they provide auxiliary services essential to the development of agriculture, industry, mining and domestic and foreign trade. Second, they act as impulse factors in stimulating overall economic activity. Without these services, accelerated economic development will not be possible.

The public services program recognizes the need for essential services to support and stimulate productive activity and for the provision of facilities that make it economically feasible for new investment in productive enterprises to be made without adding the cost to the private investor of such facilities as roads, ports, and others that are needed for the procurement of raw materials and for the distribution of the end products, or of facilities such as power and water supply which are necessary for current operation. The current program also recognizes the fact that investment in directly productive enterprise must be given the highest priority and that, within the services program itself, relatively greater emphasis must, therefore, be given to those projects. Power and irrigation and similar projects that most directly contribute to the expansion of the nation's capacity to produce must receive first attention rather than those projects which, although they may provide temporary employment and add to the nation's stock of wealth, do not directly contribute to production. Accordingly, the services program is aimed at a redirection of investment away from luxurious or nonessential construction towards the utilitarian and more urgent. This means postponement to later years of construction activity that can be dispensed with at present, in the interest of faster economic growth.

With cognizance of the limits of the nation's overall financial capability, the program is designed, as in other sectoral programs, to contribute to a long-run change in the pattern of production towards more balanced development.

### *Overall Services (Utilities) Goals*

The public services program[1] is divided into three sectors, viz., (1) transportation and communications, (2) public works, and (3) public utilities, all directed to provide maximum support to the overall economic program. Its overall objectives are to provide power for lighting and industries, water and sanitary facilities especially for rural communities, protection from floods and incursions of the sea into urban and agricultural areas, transportation and port facilities to promote inland and inter-island commerce, building facilities for schools and other government services, and housing for residential and commercial purposes.

The projected yearly government outlays believed to be necessary to secure these goals are given below:

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[1] Appendix 2-03 shows the detailed investment program.

## ESTIMATED PUBLIC INVESTMENT REQUIREMENTS FOR SERVICES (UTILITIES) DEVELOPMENT

### FY 1957 TO FY 1961

(In Million Pesos)

| Sector | 1957 | 1958 | 1959 | 1960 | 1961 | Total 1957-61 |
|---|---|---|---|---|---|---|
| Transportation & Communications | 85 | 91 | 95 | 97 | 98 | 466 |
| Public Works | 42 | 43 | 43 | 44 | 44 | 216 |
| Public Utilities | 52 | 56 | 58 | 63 | 69 | 298 |
| Total | 179 | 190 | 196 | 204 | 211 | 980 |

The principal features of the different sectors of the services program are briefly described in the succeeding paragraphs.

*Transportation and Communications*

Since the end of World War II, there has been rapid progress in the construction of a more adequate network of main routes. Large segments of the country, however, still remain isolated from markets during the greater part of the year. The steady growth in the volume of traffic is imposing a strain on the railroad, the highway, and the port system. A further increase of production and exports resulting from the agricultural program could cause a severe strain on the already inadequate transportation and port facilities presently in existence.

For this reason, a transportation and communications program, which forms the greater part of the public investment program, is proposed with broad objectives as follows:

1. Modernization of the Manila Railroad Company and the extension of its lines to the Cagayan Valley.

2. Construction and improvement of essential main highways, as well as construction of a network of feeder roads leading to rural communities and settlement areas.

3. Modernization of major ocean and inter-island ports, improvement and expansion of inter-island shipping, and as rapid a development of overseas shipping as available resources and circumstances make possible.

4. Improvement and expansion of trunk line airports and construction of additional airfields where needed.

5. Extension of the telegraph service to municipalities at present not served.

To achieve these objectives, the detailed government investment schedule recommended for these purposes is as follows:

### ESTIMATED PUBLIC INVESTMENT IN TRANSPORTATION & COMMUNICATIONS FY 1957 TO FY 1961

(In Million Pesos)

| Sector & Project | 1957 | 1958 | 1959 | 1960 | 1961 | Total[a] 1957-61 |
|---|---|---|---|---|---|---|
| *TRANSPORTATION*: | 82.0 | 88.0 | 92.0 | 94.0 | 95.0 | 451 |
| a. Railways: | 5.0 | 9.0 | 11.0 | 13.0 | 14.0 | 52 |
| b. Highways: | 64.0 | 65.0 | 67.0 | 67.0 | 67.0 | 330 |
| Development roads | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 60 |
| Feeder roads | 12.0 | 13.0 | 15.0 | 15.0 | 15.0 | 70 |
| Main routes | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 150 |
| Other roads | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 50 |
| c. Portworks: | 8.0 | 9.0 | 9.0 | 9.0 | 9.0 | 44 |
| National Ports | 5.0 | 6.0 | 6.0 | 6.0 | 6.0 | 29 |
| Municipal ports | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 10 |
| Shore protection | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 5 |
| d. Airports & Airways: | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 25 |
| Airports | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 20 |
| Airways | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 5 |
| *COMMUNICATIONS*: | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 15 |
| a. Government telephone | 1.5 | 1.5 | 0.7 | 0.7 | 0.6 | 5 |
| b. Telegraph & radio | 1.5 | 1.5 | 2.3 | 2.3 | 2.4 | 10 |
| Total[a] | 85 | 91 | 95 | 97 | 98 | 466 |

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[a] Rounded to nearest million.

*Public Works*

Although much has been done in the past ten years to improve the sanitation, education, and health of the Filipino people, there is today a sizable number of Filipinos still suffering from debilitating diseases, low nutrition, and inadequate education and training and thus unable to make a decent living. All these are inhibiting the increase in productivity of the people as a whole.

To aid in the improvement of health and living standards of the people, the public works program is designed to provide the physical facilities necessary to accomplish the objectives of the social development program.[1] The necessary government outlays to attain these goals are as follows:

### ESTIMATED GOVERNMENT OUTLAY FOR PUBLIC WORKS FY 1957 TO FY 1961

(In Million Pesos)

| Projects | 1957 | 1958 | 1959 | 1960 | 1961 | Total [a] 1957-61 |
|---|---|---|---|---|---|---|
| *FLOOD CONTROL* | 5 | 5 | 5 | 5 | 5 | 25 |
| *PUBLIC BUILDINGS*: | 32 | 33 | 33 | 34 | 34 | 166 |
| Elem. and barrio schools | 15 | 15 | 15 | 15 | 15 | 75 |
| Vocational | 5 | 5 | 5 | 5 | 5 | 25 |
| Hospitals | 3 | 3 | 3 | 4 | 4 | 17 |
| Health centers | 1 | 1 | 1 | 1 | 1 | 5 |
| Presidencias, etc. | 2 | 2 | 2 | 2 | 2 | 10 |
| Markets | 2 | 2 | 2 | 2 | 2 | 10 |
| National buildings | 4 | 5 | 5 | 5 | 5 | 24 |
| *HOUSING*: | | | | | | |
| P.H.H.C. | 5 | 5 | 5 | 5 | 5 | 25 |
| Total[a] | 42 | 43 | 43 | 44 | 44 | 216 |

[a] Rounded to nearest million.

*Flood Control.*—The program provides for continuing work on the major projects including the Agno River, Pampanga River, and Manila Flood Control projects, and for the construction of about three hundred smaller projects situated in different parts of the country, to protect valuable urban and agricultural areas. These projects, being nonself-liquidating, are proposed to be financed mainly from general revenues.

*Public Buildings.*—The public buildings program will consist essentially of additional classrooms for barrio and elementary schools and for an expanded vocational school program. Production of prefabricated schoolhouse units by the AFP Corps of Engineers will be expanded to at least 2,000 units a year to partly cover the present backlog of 25,400 units and the yearly additional requirements of 350 units brought about by the increase in school population. For vocational schools, 65 units to fill the present backlog and 6 new buildings every year to take care of the increasing enrollment will be constructed. General high schools will be provided with 282 shop buildings. The building program will also include hospitals, health centers, markets and national government buildings to accommodate expanding activities of the different offices, and the terminal building at the Manila International Airport.

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[1] See Chapter 5, Part II, Social Development.

*Housing.*—The low-cost housing program to be undertaken by the People's Homesite and Housing Corporation is expected to provide 4,500 new dwelling units in Bago-Bantay, Tagaytay, Tondo, Novaliches, Cebu, Capiz, Tacloban, Baguio, and other places.

### *Public Utilities*

In the carrying out of any sizable development program, power and water supplies are a basic requirement. In the Philippines, however, while power production has expanded in the past ten years with the increase in domestic and industrial uses, there were in 1955 only 385 cities and municipalities or 33 per cent out of 1,175 in the country that had electric service. Similar conditions exist as to water supply systems.

With the anticipated increase of industrial production in the urban areas resulting from the industrial program, the existing capacity of the power plants and water systems would be inadequate, and should, therefore, be expanded.

To meet the requirements of the overall program, the yearly government outlays for these public utilities are projected as follows:

### ESTIMATED PUBLIC INVESTMENT IN UTILITIES
### FY 1957 TO FY 1961
(In Million Pesos)

| Projects | 1957 | 1958 | 1959 | 1960 | 1961 | Total[a] 1957-61 |
|---|---|---|---|---|---|---|
| *POWER SUPPLY*: | 35.0 | 38.0 | 40.0 | 45.0 | 50.0 | 208 |
| Hydro | 25.0 | 30.0 | 35.0 | 40.0 | 45.0 | 175 |
| Thermal | 1.5 | 5.5 | 3.0 | 3.0 | 3.0 | 16 |
| Transmission | 8.5 | 2.5 | 2.0 | 2.0 | 2.0 | 17 |
| *WATER SUPPLY*: | 17.0 | 18.0 | 18.0 | 18.0 | 19.0 | 90 |
| Waterworks | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 50 |
| Artesian wells | 6.5 | 7.5 | 7.5 | 7.5 | 8.0 | 37 |
| Spring development | 0.5 | 0.5 | 0.5 | 0.5 | 1.0 | 3 |
| Total[a] | 52 | 56 | 58 | 63 | 69 | 298 |

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[a] Rounded to nearest million

*Power Supply.*—The program provides for the completion of Ambuklao, Biñga, Maria Cristina Units Nos. 2 and 3, and eleven other small hydro plants; the construction of 2 large hydro plants, 10 small hydro plants scattered throughout the country, and several thermal plants in areas where hydro sites are unavailable; and transmission line extensions to areas not presently reached by existing systems. By 1961, about 270,000 KW of additional power capacity and 1,500 million KWH of additional energy annually should be available.

*Water Supply.*—During the program period, about 120 new waterworks systems to serve communities with a population of at least 3,000 each will be constructed; 25,000 artesian wells are to be drilled; and 1,000 spring intakes developed. All these constitute new sources of supply for about 8 million people. In addition, continued improvement and extension of about 490 existing waterworks systems serving 4.5 million (including those in the Manila metropolitan area) are to be undertaken.

For the effective implementation of the services program, the following major measures are recommended:

1. Foreign aid in the form of heavy construction equipment and imported construction materials, especially under the NEC-ICA program, should be used as heretofore for the construction and improvement of artesian wells, flood control works, national portworks, and main highways.

2. The feeder road program, considering its importance to development and uplift of the rural communities, should be given assistance under the NEC-ICA program in the form of road construction equipment and bridge parts of the Bailey and H-20 types, including reinforcing steel.

3. In addition to the above-mentioned measures, Congressional action is needed on the adjustment of existing water rights, extension of water rights laws to ground water utilization, increased assessment of land served by public irrigation systems, modification of fees on motor vehicle registration, and improved gasoline tax administration.

# CHAPTER 4—SOCIAL DEVELOPMENT

The desire for rapid economic improvement is legitimate in any people plagued with widespread unemployment and underemployment and a generally low standard of living, combined with substandard health conditions, crowded housing, a high rate of illiteracy, and inadequate social welfare services. However, economic development should not proceed at the cost of the health, comfort, and happiness of the mass of the population nor be the end in itself. If national income is to be increased, there should be an assurance of its wider distribution which would result in an overall improvement in the lot of the common people.

Economic development does not take place in a vacuum. The production of wealth occurs in a dynamic complex of interlocking social forces. The problem of raising the standard of living is not purely economic. Increasing production at a rate faster than the rate of population growth must be considered side by side with the increase in the level as well as the content of consumption. Increased production can not be maintained unless there is a corresponding increase in the power of the population to purchase and to consume the goods and services resulting from economic growth.

Importance must also be placed on the adjustment of the people, their attitudes, their customs and basic habits, and their socio-cultural institutions to the changing economic structure. It is necessary to identify and utilize the social and personality traits that will promote economic progress. It is also important to counteract and eliminate the ills which can accompany economic growth and which can constitute impediments to social progress.

## a. *Goals, Scope and Nature*

The objective of the social development program is to improve the conditions under which the people live and work and thus provide the conditions that promote a rising level of productivity of the manpower of the country. The return of the temporarily handicapped to the labor force should form an important phase of the program. The other aspects of social development, such as care of the permanently handicapped aged or permanently disabled, etc., which do not directly affect the level of productivity of the manpower, but which tend to increase the social burden of the worker, are to be provided for out of increased government revenues arising out of the general increase in income that is expected to follow economic growth.

The program of social development embraces action in the fields of health, education, social welfare and housing, labor and manpower training. The health program is designed to maintain the population of the country at a higher level of physical, mental and social efficiency through expanded and widely distributed medical services and intensified medical research. The educational program calls for the improvement of educational facilities and curricula by which citizens can become skilled and productive, properly imbued with civic consciousness and a healthy nationalism. In the social welfare program, voluntary social work is to be stimulated and encouraged, self-help projects developed, and community development efforts intensified. Improved housing facilities and the development of better community living are important aspects of this program. The labor program aims at the improvement of conditions of work and the enhancement of the dignity of labor. The manpower training program seeks to supplement other means of eliminating unemployment and underemployment as soon as possible, increasing the supply of skilled workers, and, in general, raising the productivity of the available manpower.

The proposed investment schedule for the five-year social development program, excluding the construction of necessary social facilities and housing units, is shown in the following table.

### INVESTMENT REQUIREMENTS OF THE SOCIAL DEVELOPMENT PROGRAM
### FY 1957 TO 1961

(In Million Pesos)

| Sector | 1957 | 1958 | 1959 | 1960 | 1961 | Total[a] 1957-61 |
|---|---|---|---|---|---|---|
| Education | 13.0 | 13.0 | 13.0 | 14.0 | 14.0 | 67 |
| Health | 11.0 | 13.0 | 14.0 | 14.0 | 14.0 | 66 |
| Labor & Social Welfare | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 7 |
| Total[a] ............ | 25 | 27 | 28 | 30 | 30 | 140 |

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[a] Rounded to nearest million.

The above table does not include the construction outlays for social development; these are included in the public services program—₱100 million for school building construction, ₱17 million for hospitals and health centers, ₱25 million for low-cost housing, and ₱90 million for water supply. The above investment outlays cover only the provision of tools, equipment, books, and technical training for the staff needed in education, health, labor, and social welfare.

### b. *Determination of Priorities*

The social development program has been formulated on the basis of a scale of priorities in which the following factors were considered:

1. The need for the improvement of living conditions so as to raise the level of productivity.

2. The improvement of education, health, and social welfare services to take care of the requirements of manpower growth.

3. The nature and volume of the manpower requirements of the economic development program.

4. The adaptation of the people's habits, customs, and the social institutions to a higher degree of industrialization of the economy.

5. The amount of capital required for projects which directly contribute to the improvement of the level of productivity of the available manpower.

From these factors are derived the following guiding principles that determine the priorities among the projects in social development:

1. The improvement of efficiency and level of productivity of the population is of prime consideration in the development program. Projects that directly contribute to such improvement should be given first priority.

2. The impact of projects on the greater bulk of the population is a vital consideration. Benefits to be derived from investments therein should accrue to a large segment or majority of the people. Hence, projects of this category should receive preference over projects affecting only a limited segment of the population.

3. Capital investment in any project which does not only unduly retard or reduce available resources for direct production, or impair development in other economic sectors, should receive priority consideration over other projects.

### c. *Education*

Education is the core of both economic and social development. Its importance is recognized, and the objective of planning must be the development of an educational system for the Philippines through which citizens can become skilled and productive, properly imbued with a healthy nationalism and civic consciousness.

The progress of the country's economic development depends to a large extent on the raising of the level of productivity of the population. To raise productivity, it is necessary that people should first be willing to accept improved production methods and equipment, as well as ways to eliminate waste and inefficiency; and second, be equipped with the necessary skills for production. These can be achieved through proper education and training.

*Objectives.*—The following are the general objectives of the program for education:

1. To inculcate moral and spiritual values.

2. To develop personal discipline and enlightened, patriotic, and upright citizenry in a democratic society.

3. To instill habits of industry and thrift, and to prepare individuals to earn a living and to contribute to the economic development and wise conservation of the nation's natural resources.

4. To cultivate in youth the need for family solidarity, a willingness to improve community living, and to understand other countries and promote the cause of international peace.

5. To develop further the Filipino way of life, building on the best features of our cultural heritage and ethical values, while using to advantage the valuable experiences of the human race.

6. To develop healthy living in a wholesome environment and to be physically and mentally fit to meet the needs of a growing community.

7. To promote creative interest in the sciences, arts and letters, for the recognition of the dignity of the human person, and the enrichment of individual and community living.

From the viewpoint of economic programming, the following are considered fundamental:

1. Extension of the elementary school system so that all children will have an opportunity for free education through Grade VI.

2. Enforcement of the Compulsory Education Act.

3. Conversion of general high schools into comprehensive high schools offering both pre-professional and vocational courses.

4. Improvement of teacher training for professional and vocational instruction and guidance.

5. Inclusion in the curriculum of all educational institutions of training in the establishment and operation of cottage industries based on simple equipment, local resources, and saleable products for markets at home and abroad.

6. Establishment of a national system of apprenticeship.

7. A national campaign to eradicate illiteracy and an extended adult education program in vocational, social, cultural and civic activities.

8. General up-grading of educational standards at all levels as well as closer coordination between the skilled manpower needs of the country and the number trained by educational institutions.

9. Reconstruction of the curriculum of all educational institutions to meet the demands of economic development, civic responsibility, and Filipino culture, organized in harmony with modern educational practice.

*Priorities.*—The priorities which are recommended for the education program are as follows:

I. 1. Vocational agricultural and trade schools
   2. Comprehensive high schools
   3. Teacher training

II. 1. Elementary schools
   2. Higher education and research
   3. Adult education

III. 1. Apprenticeship system
   2. Improvements in administration

The following table indicates the investment needs for public education, exclusive of the outlay needed for the construction goals in education which are included in the services program.

## INVESTMENT REQUIREMENTS IN EDUCATION
### FY 1957 to FY 1961
### (In Million Pesos)

| | 1957 | 1958 | 1959 | 1960 | 1961 | Total[1] |
|---|---|---|---|---|---|---|
| 1. Agricultural schools | 1.2 | 1.2 | 1.2 | 1.5 | 1.5 | 7 |
| 2. Trade schools | 1.3 | 1.3 | 1.3 | 1.5 | 1.5 | 7 |
| 3. Elementary schools | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 15 |
| 4. High schools | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 20 |
| 5. Teacher training | 2.8 | 2.8 | 2.8 | 3.0 | 3.0 | 14 |
| 6. Adult education[2] | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 2 |
| 7. Administration | 0.2 | 0.2 | 0.2 | 0.5 | 0.5 | 2 |
| Total[1] | 13 | 13 | 13 | 14 | 14 | 67 |

Appendix 2-04 shows the details of the proposed educational plan.

### d. *Health Program*

The productive capacity of manpower, both present and potential, depends upon the good health that it enjoys. In farming, manufacturing, trade, and other sectors of development, the health of the people is just as valuable as any of the material resources utilized in their development.

Public health conserves manpower. It provides people with better health and increased vigor through improved environmental sanitation, adequate nutrition, proper medical care, and the elimination of health hazards and diseases. Health enables people to make better social adjustments as well as accelerate their application to economic activities.

*Objectives.*—The program seeks to attain the following objectives:

1. Make professionally competent preventive health services available to all without cost.

2. Provide free medical services to the poor and indigent through the rural hospitals and the rural health units, without

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[1] Rounded to nearest million.

[2] A considerable portion of this phase of education will be met out of outlays in Community Development which apportions a total of ₱.8M for 1957-1958.

prejudicing the expansion of private hospitals and the interests of private practitioners.

3. Extend dental services gradually to all municipalities and make these part of the rural health units.

4. Undertake extensive control of diseases like malaria and schistosomiasis until their transmission rates are lowered to a degree that they are no longer a public health hazard. The extension of schistosomiasis control should be based on the results of the pilot project in Palo, Leyte.

5. Improve the nutrition of the general population, through the efforts of the Department of Health in cooperation with other government agencies.

6. Provide an efficient health administration, with standard staffing in all branches of the service, properly supported by adequate financing.

7. Extend potable water supplies to at least 75 per cent of the population through construction of water systems, drilling of artesian wells, and improvement of springs.

8. Revitalize maternal and child welfare services through the rural health units, puericulture centers, and hospitals.

9. Emphasize health education for the layman and proper training for health and medical personnel; for the former, desirable habits in health and sanitary practices and, for the latter, efficiency in their work should be the objectives.

10. Coordinate the health service projects with the economic development program.

11. Expand facilities for environmental sanitation in order to meet the requirements of manufacturing, mining, and land settlements.

12. Expand research facilities, both in basic and applied fields, to meet the basic needs of public health and medical services in the Philippines.

*Priorities.*—The priorities which are recommended for implementation of the health projects are as follows:

1. Malaria control
2. Rural health units
3. Nutrition
4. Tuberculosis control
5. Environmental sanitation
6. Schistosomiasis
7. Hospital and medical care
8. Laboratories, Alabang building program
9. Philippine General Hospital

*Investment requirements.*—The investment requirements of the health program are estimated as follows:

### INVESTMENT REQUIREMENTS OF THE PUBLIC[a] HEALTH PROGRAM
### FY 1957 TO 1961
### (In Million Pesos)

| Phase | 1957 | 1958 | 1959 | 1960 | 1961 | Total[b] 1957-61 |
|---|---|---|---|---|---|---|
| Malaria, Tuberculosis & Schistosomiasis Control | 0.8 | 1.3 | 2.0 | 2.0 | 2.0 | 8 |
| Rural Health & Dental Services | 2.5 | 3.4 | 3.5 | 3.7 | 3.7 | 17 |
| Nutrition | — | — | 0.3 | 0.4 | 0.4 | 1 |
| Environmental Sanitation | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 2 |
| Hospital, Medical Services including Phil. Gen. Hospital | 6.5 | 7.1 | 7.1 | 6.8 | 6.8 | 34 |
| Laboratories, Research | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 4 |
| Total ........ | 11 | 13 | 14 | 14 | 14 | 66 |

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[a] Exclusive of water supply projects which are provided for in the services program.

[b] Rounded to nearest million.

## e. *Labor and Manpower Utilization*

Our approach to labor planning considers the following:

(1) as persons, workers have definite requirements for their well-being; and (2) as factors of production, they constitute one of the key elements on which productivity and stability of our economy depend.

As a person, the worker has definite basic needs—food, clothing, housing, health services, educational opportunities, recreation and cultural development. Conditions of work should safeguard health and protect the worker from occupational hazards. In his relationship with management, the worker has definite requirements for stability of employment and security of status. To overcome the inherent inequality between employers and employees, the organization of labor must be respected and encouraged. The right of the worker to organize freely and to take lawful action in furtherance of his needs and interests must be continually promoted and guaranteed.

With labor as a factor of production, labor planning has to consider: (a) the maximum use of idle manpower for the purpose of development; and (b) the increase of the productivity of labor so that greater employment can be provided at rising levels of real income. It must also be impressed on the worker's mind that as a factor of production, as a major determinant of the quality and quantity of output, his participation and contribution are vital to the economic progress of the country.

One of the basic premises of this program is that labor, management, and capital have a growing realization of their mutual responsibilities in developing the country and that their individual interests are not really conflicting but are actually complementary.

*Objectives.*—The program seeks to attain the following objectives:

1. Increase of the supply of skilled labor.
2. Improvement of the efficiency and the level of productivity of the labor force.
3. Gradual elimination of unemployment and underemployment.
4. Enforcement of labor laws.
5. Improvement of working conditions.
6. Improvement of labor-management relations and the maintenance of industrial peace.
7. Improvement of welfare benefits.
8. Promotion of the welfare of the tenant-farmers.
9. Increase of the purchasing power of the workers through wider and better distribution of income.
10. A comprehensive system for the collection of statistics of the labor force, employment, and unemployment.

*Priorities.*—The priorities which are recommended for the manpower program are as follows:

1. Elimination of the waste of labor resources through:
    a. Manpower training: apprenticeship system
    b. Creation of job opportunities
    c. Maintenance of industrial peace
    d. Improvement of working conditions
    e. Expansion of agricultural services
2. Enforcement of labor laws
3. Development of a system for the collection of labor statistics.

### *Elimination of Waste of Labor Resources*

In order that the manpower resources of the country can be fully utilized and their waste eventually eliminated, four distinct steps have to be taken. These consist of the following:

1. *Manpower Training.*—To make the industrialization program effective, it is necessary that adequate training be given so as to develop the attitudes and the skills needed to run industries.

This training should cover not only the vocational but also the complementary professional services.

Vocational training in schools should also be re-enforced by an apprenticeship system whereby the knowledge learned in the classroom can be applied to actual conditions.

2. *Creation of Job Opportunities.*—With the five-year program approved and consistently implemented, it is anticipated that possibly 1.5 million jobs can be created over the next five years, thus effectively utilizing the yearly additions to the labor force, and gradually, with increasing rates of investment, permitting of inroads to be made into the present reservoir of idle manpower.

3. *Maintenance of Industrial Peace.*—Conscious effort must be made to place labor-management relations on a more rational level whereby both can be made to realize and accept their common responsibilities for contributing to industrial peace and thereby advance economic development.

Steps in this direction would consist of labor education, instruction in modern labor-management relations, continued recognition of free labor's right to organize, wider use of collective bargaining, provision of improved conciliation measures with emphasis on preventive mediation, and improvement of the quality of leadership in labor unions as well as on the management side.

4. *Improvement of Working Conditions.*—The conditions under which the working man has to make his living should be improved through the wider adoption of modern safety regulations, specially in industry. Occupational hazards should be minimized or eliminated; preventive health measures and facilities should be made more widely available.

### *Enforcement of Labor Laws on Fair Labor Standards*

A fairly comprehensive set of labor laws on labor standards designed to provide minimum safeguards as well as to enhance the well-being of the worker, serves no worthy purpose unless enforced wholeheartedly, intelligently, and honestly. To insure full enforcement of our labor laws on fair labor standards so that the worker may get his fair share of the fruits of production, the following measures should be undertaken:

1. A continuing national campaign for enforcement. Employers should be urged to comply with the laws by making them realize that better pay and better working conditions for labor will improve production and expand the market for their goods. The government, as an employer, should set the example in complying with labor laws.

2. The confidence of workers in the government labor agencies should be cultivated so that they will learn to cooperate with it in law enforcement. They should be discouraged from conniving with unscrupulous workers or employers in any attempt to circumvent the laws.

3. The Department of Labor should be reorganized in accordance with Reorganization Plan No. 20-A approved by Congress, with a view to:

(a) Centralizing enforcement responsibilities so that all inspectors, agents, and other enforcement personnel will be grouped under a common supervising authority to prevent duplications of inspection which often result in unnecessary harassment of legitimate business firms.

(b) Providing protection for the worker in the provinces. Ninety per cent of the population of the country live in the provinces. The enforcement personnel should be distributed so that the protection of the laws will be uniformly available to all.

4. Labor laws should be restudied and codified to remove ambiguities and overlapping.

5. Expansion of agricultural services: In order to improve the welfare of the agricultural worker the government should provide for better and expanded agricultural services to enable the farmer to increase and improve production. The five-year program proposes a public investment of ₱307 million for land improvement, agricultural extension, agricultural research, livestock production and services, fish production services, forest development, and seed improvement, plant pest and disease control and irrigation construction. These must be complemented with schemes in public land distribution, tenancy improvement, cooperatives, home industries, rural health, education and social welfare including housing.

6. For the promotion of the welfare of the migrant workers (*sacadas*) in the sugar industry, the following measures should be undertaken:

(a) Establish adequately staffed and adequately financed local employment offices in Iloilo City to cover recruiting areas in Antique, Capiz, and Iloilo; and in Bacolod City to supervise the employment conditions of *sacadas* in the haciendas in Negros Occidental.

(b) Create a revolving fund to be administered by the National Employment Service in the amount of ₱100,000. This amount should be available for advances to *sacadas* who have ready employment in the sugar plantations.

(c) Create a Wage Board for the sugar industry in order to establish a uniform piece-rate for the different operations involved in the planting and harvesting of sugar cane.

(d) Intensify the enforcement of all pertinent labor laws.

(e) Make arrangements with the Department of Education and the Department of Health to extend adult education and rural health services to the *sacadas*.

(f) Extend the program of encouraging responsible and democratic trade unions to workers in various industries in accordance with established policy.

7. For the protection of the waterfront worker, the "cabo system" of paying wages whereby a "cabo" or overseer collects the entire payroll and distributes it among his subordinate laborers should be eliminated.

### *Development of a System for the Collection of Labor Statistics*

The establishment of local employment offices in every province, and the Statistical Survey of Philippine Households, are steps towards this aim. A survey of the manpower resources in the country including surveys of the nature and composition of the unemployed labor force and of general unemployment should be given priority. It would be in accordance with our manpower planning purposes if the collection of manpower statistics is done periodically.

The National Employment Service has prepared a program which will need legislative action for the establishment of 53 local employment offices to cover every province. These 53 offices will have as one of their functions the collection of manpower data. To ensure best results, they are to start with pilot projects to train the necessary technicians for the 53 offices, and then gradually expand till they cover the whole Philippines.

### f. *Social Welfare Including Housing*

Social welfare is an organized and systematic program of uplifting the people who are forced by circumstances beyond their control to a sub-standard level of living. It is therefore a complementary part of the country's economic development program. The over-all objective is the long-run promotion of the general welfare of the masses. This may be achieved through social services aimed to help the individual attain a satisfying standard of life through his own efforts and with just a minimum of outside assistance.

To attain the general objective, the following goals deserve as early an attainment as possible within the limits of available resources and in the light of competing high-priority demands on economic development funds:

1. Inclusion of indispensable social services in planning economic development to insure the implementation of long-range preventive and rehabilitative programs

2. A social security system to minimize the deteriorating effect of a large mass of social dependents on general welfare. The social security program can consist initially of insurance against the hazards of disability, old age, and death and eventually of unemployment and sickness, and social assistance where necessary to supplement social insurance.

3. Research into the effects of changes on social organization as a basis for a dynamic social welfare program. Any economic or social change will necessitate adjustment on the part of the people.

*Objectives.*—The following are the objectives of the program for social welfare:

1. Reorganization of the Social Welfare Administration with a view to clarifying its functions and objectives, supplying it with needed operating funds with which to implement its program, and staffing it with qualified and competent personnel.

2. Establish income-producing self-help projects for the needy so as to substantially reduce the need for public assistance.

3. Establish vocational training centers in different parts of the country to train the physically handicapped individuals, return them to the labor force and place them in gainful occupation.

4. Expand as rapidly as available resources permit youth and child welfare services and activities to the provinces, municipalities, and barrios.

5. Provide preferably through inducement of greater participation of private capital more adequate housing and better community life to the low-income groups conducive to the preservation of the family and the enhancement of human dignity.

6. Gradually establish a social security system.

7. Establish and maintain a social research center to assess social problems, needs, and resources, and evaluate the efficacy of social welfare programs.

*Priorities.*—The priorities which are recommended for the Social Welfare Program are the following:

I. 1. Reorganization of the Social Welfare Administration to enable it to successfully attain the objectives set up in this program.

2. Amendment of the Social Security Act and its subsequent implementation. The recommendations of the Special Committee on Social Security will make the Act more suitable to the needs of the people and the ability of the economic system to carry the cost of the System.

3. Training for gainful occupation of:
   - (a) the handicapped (vocational rehabilitation)
   - (b) the employable needy (self-help projects)

II. 1. Expansion of child welfare services and activities including government care along:
   - (a) Child aid and placement
   - (b) Probation and parole
   - (c) Child guidance clinics
   - (d) Boy's towns and youth farms
   - (e) Institutional care

2. Slum Clearance and Low-Cost housing for the low-income agricultural and industrial workers.

III. 1. Social Research

In the prosecution of the social welfare program, it should be borne in mind that the greatest resource of this country for social welfare is citizen participation. Government needs only to provide vital leadership to harness and stimulate voluntary social welfare efforts. By so doing, government outlays for social welfare purposes can be held to the minimum necessary to meet the initial requirements of the program. The responsibility for long range costs should gradually shift to private initiative. This is one way of re-distributing the profits of economic development for the attainment of human welfare. Likewise, it favors the development of self-reliance and self-help in the people.

*Investment requirements.*—The following is the estimated investment requirement of the social welfare program included in the table of investment requirements for social development on page 47. That for low-cost housing is included in the public services program which allocates ₱25 million for the construction of low-cost homes.

### INVESTMENT REQUIREMENT FOR SOCIAL WELFARE
### FY 1957-1961
### (In Million Pesos)

| | 1957 | 1958 | 1959 | 1960 | 1961 | Total |
|---|---|---|---|---|---|---|
| 1. Training of staff | .2 | .3 | .2 | .2 | .1 | 1.0 |
| 2. Tools and equipment | .2 | .2 | .4 | .3 | .3 | 1.5 |
| 3. Books & Other Technical Aids | .2 | .2 | .2 | .2 | .2 | 1.0 |
| Total .......... | .6 | .7 | .8 | .7 | .6 | 3.5 |

# CHAPTER 5—FINANCING THE PUBLIC INVESTMENT PROGRAM

Financing economic development of the magnitude and pattern proposed in the program, although relatively modest, is no easy task and yet upon it, as well as on the soundness and efficiency of the individual projects, necessarily depends the success of the program. The financing problem becomes more complex because, with the present pattern and level of production, it involves not only the allocation of local funds but also that of sizable blocks of foreign exchange. The financing of the public investment program forms a part of a broader picture, representing one of several claims on the domestic and external financial resources. This broader picture is presented in Part IV.

To finance successfully the direct costs of the proposed public investment program, its requirements in investment goods and services, as well as those for operating capital for the new projects, in addition to current operating expenditures, must be properly provided for in the fiscal budget. Each additional project will necessitate operating funds for its subsequent maintenance and operation. The requirements of finance for private investment must at all times be also remembered.

At the same time, the foreign exchange requirements of the program, both for capital goods and services and operating requirements, in addition to the operating requirements of existing public services and of existing private and public enterprises for imported materials and supplies, must be provided for in the allocation of foreign exchange for all purposes, public and private.

### *Foreign Exchange Requirements of the Program*

It is estimated that the public investment program will require the direct expenditure of foreign exchange in the orders of magnitude indicated in the following table. These requirements are, of course, exclusive of any demand for imported goods arising from any expansionary effect on income as a result of the public development program.

## FOREIGN AND DOMESTIC EXCHANGE REQUIREMENTS OF THE PUBLIC INVESTMENT PROGRAM

### FY 1957-1961

(Both in millions of pesos)[1]

| Sector | 1957 | | 1958 | | 1959 | | 1960 | | 1961 | | Total 1957-61 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $ | ₱ | $ | ₱ | $ | ₱ | $ | ₱ | $ | ₱ | $ | ₱ |
| Agriculture ... | 9 | 45 | 9 | 50 | 9 | 52 | 10 | 55 | 10 | 58 | 47 | 260 |
| Manufacturing & Mining .. | 68 | 38 | 51 | 34 | 54 | 27 | 51 | 34 | 45 | 31 | 269 | 164 |
| Public Service . | 46 | 133 | 50 | 140 | 51 | 145 | 54 | 150 | 57 | 154 | 258 | 722 |
| Social Development. | 14 | 11 | 16 | 11 | 16 | 12 | 17 | 13 | 17 | 13 | 80 | 60 |
| TOTAL ...... | 137 | 227 | 126 | 235 | 130 | 236 | 132 | 252 | 129 | 256 | 654 | 1206 |

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[1] Rounded to the nearest million.

*Financing*

It is proposed to finance the public investment program, in addition to current government expenditures, from the sources and in the amounts indicated in the five-year fiscal plan presented in Part IV.

In order to adequately set the demands for foreign exchange, not only of the public investment program, but also of private investment and those arising from higher incomes, it is necessary that during the next five years the foreign exchange receipts of the country from all sources should be carefully budgeted and their actual allocation carefully carried out in accordance with the priorities of the development program. The proposed foreign exchange budget for the next five years is shown in Part IV, Chapter 9.

Needless to say, the entries in both fiscal budget and, more specially, the foreign exchange budget included in the program must be regarded as indicators of orders of magnitude based on existing trends and conditions rather than precise figures and as such will be subject to yearly revisions, as circumstances demand, except those for 1957 which have been estimated as carefully as has been possible with the available information.

The actual performance under the first year of the program, however, will itself set the direction for future revisions.

# CHAPTER 6 — PUBLIC ADMINISTRATION

Public administration has a major responsibility in the realization of the goals of economic and social development. The degree of participation and cooperation of private individuals in the implementation of a national development program, particularly one that depends to a large extent on public borrowing and foreign investment, is largely a resultant of the confidence and faith of the people and of other governments and international institutions in the administrative machinery for implementation and the quality of its leadership. The carrying out of a large volume of business and research enterprise and the development of national and human resources can proceed satisfactorily only in an atmosphere of internal peace, order, justice, and harmonious international relationships.

The objectives of public administration are efficiency of organization, competence and integrity of personnel, and economy in the use of resources.

## a. *Policy*

The establishment of a national policy is basic to effective public administration. Policy provides the framework within which programs can be formulated. Moreover, the formulation of necessary policies and assurance of their consistent implementation without abrupt and unnecessary or arbitrary changes is basic to investment in a preponderantly private enterprise economy.

A main responsibility for realizing the objectives of stable government and full economic development lies with sincere, well-informed, and unselfish political judgment in the determination of policy, and concurrently with well-trained, competent executives and administrators to interpret and implement the policies. Such competence is also essential for the vital work of project planning which is the foundation of successful formulation and implementation of any development program.

Because of the political character of the policy determining entities such as Congress, the Office of the President, and the Cabinet, divergence of interests may sometimes occur. Confusion and inconsistencies arising therefrom may invalidate the objectives of policy as well as the implementing measures. These can be avoided to a large extent by good forward planning at staff levels in the different departments or offices, careful programming of projects, and periodic evaluation of results or performance thereof. Close liaison work with the National Economic Council, as well as with the Office of the President, on vital matters should also be maintained.

### b. *The Administrative Structure*

There is a certain amount of "bureau isolation," of preference for direct action resulting in the by-passing of intermediate lines of authority, and an undue emphasis given to accounting, auditing, and personnel administration procedures which tend to weaken the recognized lines of authority and thereby hamper forward action. Executive management and evaluation should be made to prevail over procedures and simple tools of management.

Too centralized control of public administration leads to decisions which fail to take full cognizance of local variations and frustrates the efforts of capable public servants anxious to proceed with desirable projects within their spheres of action.

There is considerable overlapping of functions among various entities and a very marked need for coordination and direction.

### c. *Personnel Administration*

The quality of public administration depends on the utilization and development and the regulation of the conduct of personnel. To the extent that there is equal opportunity for all to be selected for public service and to advance in it on the basis only of competence and fitness will sound organization and effective management be promoted.

Tolerance of political patronage in the selection and promotion of employees, dilatory action on personnel matters, unequal scales of pay, and systems of staff evaluation which fail to foster development of employee performance should be eschewed.

### d. *Fiscal Administration*

The Five-Year Program requires a substantial outlay of public funds. Its successful implementation depends a great deal on the efficiency of the revenue collecting and expenditure controlling agencies of the government. This is true with respect to maintenance of external no less than of internal stability in the execution of the program. Unless public revenues including a judicious level of public borrowing match the requirements of the program and existing public services and expenditures are properly programmed and controlled, the goals set for public investment become difficult, if not impossible, of realization without disrupting the economy and thus in the end defeating the objectives of development itself.

Tax administration, budgeting, and programming, as well as the accounting and auditing, of public revenues and expenditures are vital to any development plan. Inadequacy of personnel, deficiencies in organization and procedure and inherent defects of tax laws with a general attitude of indifference to, if not approval of, tax evasion[1] characterize tax administration. The remedy lies in improvement of government structure and procedure and in improved personnel management.

### e. *Law Enforcement*

The maintenance of peace and order is a major function of government and is at the same time an imperative of economic development. The various law enforcement agencies at all levels are generally handicapped by defective organization, inadequate equipment, and poorly trained and underpaid staff. Moreover, difficulties arise from their contacts with the public and with pressure groups. Lack of coordination and considerable overlapping and duplication of functions and jurisdiction also affect their effectiveness.

### f. *Regulatory Agencies*

The quest for efficiency and economy in the face of the growing complexity of government functions and the expansion of economic and social activities make necessary the existence of regulatory agencies to implement regulations and supplement judicial process. These agencies are designed to assist in the implementary policy through their regulatory functions and thus free Congress and the judiciary from the costly and slow process of rule promulgation. The number of regulatory agencies has increased rapidly over the past few years under various administrative departments.

### g. *Statistical Services*

Adequate statistics are essential for the proper formulation and execution of development policies, including economic development programs, as well as for the effective performance of the functions of government itself. The responsibility for collection, compilation and analysis of statistics is at present divided among many scattered agencies practically all of which suffer from inadequate numbers of trained personnel due to low scales of pay. Coordination is now being attempted by the National Economic Council and gradual upgrading of statisticians by the U.P. Statistical Center, but the lack of adequate operating funds is still a major limiting factor.

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[1] Public Administration in the Philippines, Stone & Associates, p. 209.

The proposed Institute of Economic Development and Research should be organized, with the assistance of the United Nations and private foundations, and given the responsibility to study basic problems in economic development and program execution, as well as to give some precision to statistical data and information needed in policy formulation. The Institute should also train economic analysts and statisticians for public and private agencies directly concerned with economic development. It could also attract specialists and advanced students from foreign countries who would undertake research in local development problems and needs and eventually contribute to the growing body of knowledge in economic planning and development in underdeveloped countries.

### h. *Community Development and Local Governments*

Community development is a process by which community interest and initiative for economic and social improvements in rural areas are stimulated. Under government assistance and direction, rural or barrio people are organized into effective working groups through which collective and individual capacity for improvement is aroused. In other words, the individual is made aware of his potentialities for better living either through self-help or as a contributor to concerted community action in the improvement of community facilities. The aim is to evolve a well-informed citizenry, conscious of its environment, its responsibilities and its capacities in promoting and inducing community welfare.

With the labor force partly latent in rural areas now open for exploitation as a potential for capital formation, small government programs through community development efforts may be launched as a beginning. The needs are generally toward improvement of marketing facilities, farm-to-market roads, credit, cottage industries and similar projects, and the subsequent development of community leaders and small-time enterpreneurs who could push on the work with the least government aid. In other words, the approach lies in making the individual conscious of what he can do to improve his own welfare.

The present program of community development being pursued by the Office of the President is a step in the proper direction and deserves continuance.

## *Recommendations*

1. Wider recognition and more effective use of the National Economic Council as a central agency for the consideration of economic and social policies.

2. Encourage the establishment of a competent staff in each of the different departments for planning, programming and evaluation of development and other projects to be undertaken by them. This staff should work in close liaison with the National Economic Council.

3. Foster inter-agency cooperation and coordination especially through memorandum agreements and working parties.

4. In-service training for clerical and sub-professional employees and special training for executives and technical personnel.

5. Immediate implementation of approved Reorganization Plans to effect economy and efficiency.

6. Revitalization and decentralization of the Bureau of Civil Service.

7. Implementation of wage standardization and position classification based faithfully and actually on the fundamental principle of equal pay for equal work.

8. Reorganization of revenue agencies to increase collection of revenue.

9. Strict enforcement of the Civil Service Law to enhance leadership and to raise the morale of employees.

10. More local government autonomy in revenue-making and participation in program planning and implementation through local or regional community development and planning organizations.

11. Amendment to the Retirement Act by reducing the age for automatic retirement from 65 to 60 years.

12. A national census should be taken in 1960 so that we may be able to participate in the global census proposed by the United Nations.

# PART III—*PUBLIC POLICIES RELATING TO THE PRIVATE SECTOR*

## CHAPTER 7 — AIMS AND PRIORITIES

The Philippine economy is essentially a private enterprise economy, and hence economic growth depends crucially on the attunement of public investment and public policies to the initiative, to the intentions, and to the responses of private individuals and private business units.

The overall aim with respect to the private sector is to induce it and to enable it to create a volume of total economic activity along the direction and of the magnitude necessary to ensure the attainment, together with the efforts of the government, of the general objectives of the economic development program.

This means in effect that the various relevant policies of the government, such as those on money and credit, foreign exchange, taxation, foreign investment, price supports, etc., as well as the public investment program and general government administration, must all be designed and administered so as to complement and reinforce each other in creating the most favorable climate for private enterprise to attain its optimum level and composition. In the apportionment of the inducements and benefits arising from these policies, the matter of relative priorities, not only within each sector of activity but among the different sectors, must necessarily be considered.

The relative priority of an industry should reflect as closely as possible its beneficial impact on the economy as a whole. This impact can best be assessed in terms of the industry's contribution to national income, its effect on the balance of payments, the employment it creates, and its utilization of domestic materials, all in relation to the capital cost and the current operating cost.

The formulation of an industrial priority system[1] by the National Economic Council is a deliberate attempt to assist in the direction and coordination of public inducements and policies relating to private investment. Initially, this system will be applied to manufacturing, but its use could eventually be extended to other sectors.

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[1] See Appendix 3-01.

The priority between one major sector and another, as for instance between agriculture and manufacturing, is also determined by the desired long-term change in the structure of the economy. This means that some emphasis must be placed on accelerated industrial development, but without neglecting agriculture and other sectors.

Within agriculture, first priority must go to those activities that will help to achieve self-sufficiency in food, followed by those that promote the development of domestic sources of raw materials for manufacturing and processing, those that promote self-sufficiency in clothing and shelter, and those that will directly contribute to the country's foreign exchange earnings.

In mining, priority will similarly be accorded to activities that promote the production of materials for local manufacturing. In the short-run, however, it may be necessary to apply these priorities with care in view of the country's need for bringing its external accounts into better balance, and of the fact that the demand for imports is being augmented by the requirements of the program itself while the income prospects of the traditional exports become less bright as the Laurel-Langley Agreement continues in force. Whatever the priorities as between development for local manufacturing and immediate foreign exchange earnings, the survey and discovery of natural resources deserve the highest priorities.

Small scale industries, including those of the type of home or cottage industries, must be given as much encouragement as possible until economic development reaches the stage of becoming self-generating. This is necessary because, in relation to the demand for capital, this type of enterprise is the most labor-intensive. It not only creates new employment but also tends to reduce underemployment, especially in the rural areas. It is also economical of the presently scarce business management and other skills and is an ideal training ground for further development of those skills.

The danger to guard against is overdevelopment of cottage industries to the extent of creating permanent obstacles to needed technological change in the future when the advantages of this type of industry become relatively less while those for more efficient but less labor-intensive industries becomes relatively greater. This will be the case if the progressive rise in national income materializes which is the objective of this and of future development programs.

In the field of private service industries, priority should primarily be given to those that have an impulse effect on production.

Private power projects, transportation, and communication enterprises must be accorded importance similar to corresponding public investment of an "impulse" character. Encouragement should also be given to the growth of the trading, financial, and marketing services that must expand with growth in the more directly productive sectors. To some extent, an improvement in such services can also have an "impulse" effect.

In order to ensure that the objectives of the program may be substantially attained, public policies and the government's own economic activities should be such as to induce and make possible a level of private developmental net investment that will equal or exceed the following totals (in millions of pesos):

| 1957 | 1958 | 1959 | 1960 | 1961 | 1957-1961 |
|---|---|---|---|---|---|
| 500 | 600 | 650 | 700 | 750 | 3200 |

The above figures are rough estimates of the possible and desirable level of private investment which cannot be refined at this time when the necessary statistics, even of actual present private or total net investment,[1] are not available. Only further experience as the program gets underway and an improvement in research and information can provide the factual basis that will justify further refinement. Nevertheless, the necessity clearly exists for the government, in adopting the necessary policies and measures, to be guided by some picture of the approximate levels which private investment should be assisted to reach.

By way of illustrating the fields and magnitudes of investment that it is hoped private enterprise would undertake and which would make a definite contribution to total economic growth, certain desirable agricultural, manufacturing, and mining projects are recommended for private development during the next five years (see Appendices 3-02 to 3-04).

As indicated in the preceding table, the overall requirements for financing private development projects are estimated at about ₱3,200 million for the five-year period as a whole.[2] The bulk of this amount can reasonably be expected to come from private savings in the form of plowed back business earnings and institutional savings, individual savings, the flotation of new corporate securities, extension of public credit and direct foreign investment. The enlargement and utilization of individual and institutional savings would be a primary objective of policy. However, a supplementary effort is required to make available additional financing through the banking system within the limits set by the overriding principle of maintaining reasonable economic stability. Increased bank credit for productive investment can come in part from a fuller and more selective utilization of existing bank resources and in part from the use of public credit made available to the commercial banks on a time deposit basis or through other means, which in turn will enable the banks to undertake additional lending to duly qualified borrowers embarking on new productive-type ventures.

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[1] Net investment figures implicit in the available statistics on gross investment and depreciation seem to be highly improbable, if the national income and production statistics are accepted as not too inaccurate. It is, therefore, estimated that present total net investment is of the order of ₱700 million, public and private.

[2] The amount of private investment which does not require financing, e.g. improvements undertaken through the direct labor of farmers, natural increase in livestock, etc., is not included in the above totals.

In the absence of more precise data on the exact present or reasonable future magnitude of these different sources of financing, it is more useful to discuss public policies which might result in an increase of available resources, and hence of feasible investment, rather than to present quantitative targets for these individual sources.

## CHAPTER 8 — FINANCING PRIVATE INVESTMENT

Adequate financing of private investment requires a judicious combination of the following steps:

1. Encouragement and effective mobilization of savings.
2. The use of credit, taxation, foreign exchange and other policies designed to promote and direct private investment into the desired channels.
3. The coordinated use of all sources of foreign capital, including reparations and foreign aid.

### a. *Encouraging and Mobilizing Savings*

To the extent that the people are induced to save and their savings mobilized for investment in productive enterprise, the process of capital formation and the rate of economic development will be accelerated.

Since the level of per capita income is low, the level of savings is low, from 92 to 94 per cent of output going to consumption. Yet, the need for faster capital accumulation is unquestionably great. This necessarily entails the promotion of domestic savings in various forms as well as of the inflow of foreign capital and their utilization in uses that would contribute most to economic growth.

Tax policy could contribute useful incentives to encourage savings. Income tax deductions might be allowed for the purchase of long-term securities in high-priority industries as well as for donations to economic or industrial research institutions serving the general public. Tax incentives to encourage the plowing back of business earnings are suggested in section (e) below. Thrift campaigns must also be conducted with vigor and with understanding of popular psychology; they must be conducted more unremittingly, not spasmodically. More savings facilities must be provided. Present rates of interest offered to savers should be examined as to whether they should not be made more attractive. Our people must learn to invest in securities and in insurance policies, in addition to making savings deposits in banks. On the other hand, investment in nonproductive assets such as jewelry, luxurious mansions, limousines, and other durable consumer goods must be discouraged along with speculation in real estate. The introduction of monetary habits in the rural areas should go hand in hand with the inculcation of savings habits.

Inasmuch as savings are initially low, and their increase to more substantial levels would take time and would depend on the rate of economic development itself, other internal sources of capital accumulation will have to be utilized but short of giving rise to disruptive inflationary forces that would nullify the gains. This means that both bank credit and public credit must be selectively expanded if the level of investment necessary to initiate the process of development is to be attained. It means also that credit, monetary, and fiscal policies must be coordinated and judiciously applied to promote the ends sought.

### b. *Monetary and Credit Policy*

The present monetary and credit structure should be carefully reexamined with a view to making such adjustments as will permit more effective support for enterprises desiring to undertake new or expanded production. The present supply of long-term and medium-term credit is insufficient for the purpose. Too much of what is available is directed to financing trading and speculative activities rather than efforts to increase the domestic productive capacity.

This situation is partly due to the low volume of domestic savings, and partly to the peculiar direction that economic activity has taken in the past. As a result of centuries of specialization in the production of a few export crops and the development of ancillary economic activities, the economy today is marked by severe institutional rigidity. Banking and financial facilities have come to be shaped largely to meet the needs of landowners, speculators, and traders for short-term credit, but long-term credit needed for investment in expansion of productive activity is not available in adequate quantity and on reasonable terms.

Under these circumstances, it is necessary that a moderate and selective monetary expansion and loosening up of the financial structure be undertaken. Action undertaken along these lines must concern itself, among other things, with making additional amounts of credit available within limits dictated only by the need for maintaining reasonable stability and with making a greater proportion of total credit resources available for use of productive entrepreneurs on a selective basis in the form of long-term credit as well as short-term working credit. The priority system for manufacturing industries adopted under this program could serve as a guide to the banking system for this purpose. The objective should be to emphasize an expansion of credit to worthy borrowers intending to provide an increase in the supply of goods in the categories of productive industries desired, rather than to limit credit to the financing of trade or the support of a few export-producing industries.

In addition to quantitative credit controls, the Central Bank should exercise its powers[1] to control credit selectively in order to correct the traditional bias of the existing institutional structure towards granting credit primarily for residential construction, trading and other speculative activities, in favor of the largely unsatisfied credit needs most closely related to economic development, i.e., long-term investment credit. Such factors that affect both the cost and availability of credit like selective rediscounting facilities, marginal deposits for letters of credit, etc., should be brought into play and should be supplemented by exhortations to the commercial banks of avoiding credit expansion for unproductive purposes. Credit for consumption purposes should be curtailed, while long-term investment credit should be extended to productive undertakings that are included in the economic development program.

The Central Bank has both the powers and the administrative facilities required to control credit selectively and effect a redirection of the present pattern of the flow of bank credits.

In order to minimize the risks involved in granting long-term credit by the banking system, the government could provide guarantees for high-priority projects. Another approach which has been proved effective is the time deposit arrangement of the Industrial Development Center. Should Reorganization Plan Nos. 27 and 28 be implemented, and the IDC operations reduced to strictly survey and market research work for the private sector, it is recommended that the time deposit and loan guarantee program of the IDC be expanded and transferred to an appropriate agency of the government.

While exchange controls would be necessary to insure that foreign exchange requirements of both the public and private investment sector could be adequately provided for, controls by themselves do not correct a disequilibrium in our balance of payments. The long-run goal of the Government as stated in the letter of the President to the National Economic Council dated September 5, 1955, is "to abolish economic controls as rapidly as possible and relax them with necessary safeguards that will adequately protect our desirable industries and assist instead of hampering and discouraging private enterprises in their efforts to produce."

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[1] Embodied in Art. 9, R.A. No. 265 (Central Bank Charter).

It is necessary that the appropriate pattern of foreign exchange allocations needed to support the investment and levels of economic activity required for development is one that must be determined with the aid of the industrial priority system and the other priority considerations here presented. This pattern should serve as guidance to the Central Bank in implementing foreign exchange policy. The administration of foreign exchange allocations must clearly provide for maximum amounts of high-priority and productive uses and must reduce to the required degree other demands upon the country's limited foreign exchange resources. The Central Bank has been doing this and should continue to do it to an even greater extent.

The opportunities for increasing export income through production of new exportable items and increased production of present items not faced with an inelastic demand should indeed be explored. Such exports, including those intended for non-dollar areas, should be encouraged when clearly profitable to the economy in terms of no consequent loss in dollar earnings and in terms of the availability of needed goods from non-dollar areas. Primary responsibility for the promotion of additional exports on this basis, as well as the exploration of the possibilities for more favorable trade agreements, should rest with the National Economic Council, the Department of Foreign Affairs, and the Department of Commerce and Industry.

### c. *Budgetary Policy*

The government, through its budgetary policy, has at its disposal a potent instrument to affect the level and direction of investment and production. While reforms in the banking structure can lead to an improvement in the amount, composition, and type of credit available to private enterprise and enable it to provide greater output, income, and employment, supplementary efforts on the part of the government are necessary. Through its revenue collection, expenditure and borrowing policies, the Government actively influences both the money and credit situation, the level of general economic activity, and the level and type of investment.

Any government expenditures undertaken should be carefully scrutinized, both as to amount and type, in order to ensure that they do contribute to national economic well-being, and do not instead jeopardize the overall economic effort or overall economic stability.

Increased public expenditures, if directed largely into productive purposes, can exert a beneficial effect on production, employment, and real income without inflation. The present economic indication is clearly that there is no threat of runaway inflation now or in the foreseeable future, provided the greater part of any added expenditure is for economically productive purposes, prudently administered, is held within limits of the country's total resources, and creates the preconditions for additional output in the near future.

The price level declined in the last four consecutive years, even though more recently this movement seems to have been reversed. Under these circumstances, there seems to be leeway for action without evoking the dangers of inflation. Moreover, a moderate rise in prices, if it should occur, could exert a salutary effect in that it would encourage an intensification of private business activity. The balance of payments effect as well as domestic effects of any rise in prices would, however, have to be carefully and constantly watched through periodic (once every quarter or more often as circumstances demand) appraisal of monetary and price trends.

### d. *Tax Policy*

The success of any economic development program will depend to a large extent on increased public revenues which will minimize the inflationary effects of increased money incomes arising from development expenditures and which will provide non-inflationary finance for increasing public services attendant upon a growing economy. Increased public and private investment as called for in the development program will bring about inflation unless tax revenues are increased to prevent augmented money incomes from outrunning increases in production. With the level of consumer goods imports maintained at about the current level and the local production of import substitutes increasing at the present rate, it is apparent that the best safeguard against inflation (resulting from the rate of net investment contemplated in the program) is increased tax revenues.

The overall tax policy should therefore provide for both increased tax collections and increased tax rates. Budgetary and tax research, together with improvements in tax administration, are immediate imperatives.

The incentive aspects of taxation may be important in advanced countries; they are more so in underdeveloped countries like the Philippines. It is far easier to maintain steady economic growth than to initiate it. As much as possible, therefore, the tax structure must be adjusted to provide a definite incentive to increased saving and investment and to improve the allocation of the factors of production in a way that will take full advantage of the country's resource endowment.

Incentive taxation must not be construed to mean only reductions in tax rates. Under some conditions, general tax reductions may provide an incentive, but those conditions do not exist in the Philippines today. General tax cuts are usually inflationary, but the kind of "incentive taxation" needed here is one that will effectively stimulate increased effort and risk-taking in high priority productive activity without inflationary consequences.

An example of this kind of taxation is one that permits the averaging of profits for tax purposes over a number of years, to improve the prospects of average profits after taxes, for an investment whose products are subject to violent fluctuations in demand. The averaging of profits for tax purposes is especially important in such risky fields as mining, petroleum, rubber plantations, etc., which have a long production cycle and are subject to substantial fluctuations in prices.

Another example is the exemption of new investment from taxes for a certain number of years. Investment in new industries always entails more risk than expansion of old ones, and expansion of old ones is more risky than mere maintenance of existing ones. There is also some reason to suppose that the "chain reaction" effects on the pace of economic development are greater for new investment than for expansion of existing industries. Agricultural taxes which impose lower rates for increases in output than for normal returns, thus reducing the risk attached to improvements in agricultural practices, might also be included under this heading. It is in this form that "incentive taxation" now exists in the Philippines under Republic Act 901.

However, the form of "incentive taxation" under R.A. 901 seems to be unsuitable to existing conditions in this country. Complete tax freedom is an enormous concession to make and an unnecessary one for industries that prove profitable in the early years of their lives. Moreover, the concept of "new and necessary" is not clearly defined and the latitude of judgment permitted in deciding which industries should be tax-exempt has led to uneconomic encouragement of certain low-priority industries. Most important, the system is not selective in its effects. For industries that make no profits in early years, tax freedom is no incentive and no help. For industries that make high profits, the profit incentive is adequate without tax exemption, and the system merely reduces the volume of public investment that could be undertaken without inflation apart from forcing the rest of the economy to shoulder that part of the cost of government that the favored industries should rightly sustain. The number of cases in between, in which actual or estimated profits without taxes are sufficient to warrant investment but would not be if taxes were imposed are probably relatively few. The present system probably retards rather than accelerates economic growth. It may also be discriminatory. Obviously, the tax exemption privilege is more valuable to those industries able to secure a monopoly position than to others. Its continuation therefore deserves a reexamination.

Tax rates should better be increased or reduced selectively, in such a way as to control either the allocation or the timing of investment. One such system of incentive taxation is "accelerated" and "postponed" depreciation. In general, the principle of accelerated depreciation permits more rapid write-off of plant and equipment for tax purposes and thus encourages investment in selected industries. Postponed or deferred depreciation, on the other hand, extends the period of write-off of plant and equipment and tends to discourage investment in the industries to which it is applied. Thus, there is on the one hand a means of encouragement and, on the other, of discouragement of investment in specific industries.

This system can be adapted to the purposes of economic development. High-priority projects may be permitted accelerated depreciation; low-priority investments may be required to postpone depreciation. High-priority projects can then escape taxation in the early years by writing off capital quickly, but the privilege will be limited in time. The higher the profits made and the more quickly the investment is written off, the sooner would the industry start paying taxes, which is as it should be.

### *Taxes Designed to be Avoided*

The incentive effect may also be obtained through certain taxes that may be imposed not for the purpose of collecting them, but to induce people to take certain action to avoid paying them. These include taxes on hoarding, whether of goods or of money. Due to current conditions, the speculative hoarding of goods is likely to be the more serious problem. By imposing a penal tax on inventories held in excess of some stipulated normal limit, the prospective profitability of such speculation can be removed and goods forced into the market, diminishing the inflationary pressure from development spending.

Another example of an incentive tax is a tax linked with subsidies. It would be possible to provide a subsidy for investments the government wishes to encourage, and then impose a lump sum or percentage tax on profits so as to recoup the subsidy plus any "supernormal" profits remaining when the desired scale of production is reached. The subsidy would encourage production of the desired kind, and a lump sum or percentage tax on profits cannot be avoided by reducing output and raising price.

A more general means of inducing more savings might be a tax on expenditures. In an underdeveloped country, it is probably spending rather than income that should be taxed. Saving should be encouraged and the part of income that is saved should be tax-free as much as possible. There are various devices that can be used to convert the income tax into a tax on spending. For example, the portion of income invested in new plant, equipment and housing, or held idle in savings or time deposits, or used to pay insurance premiums or to purchase securities issued to finance industrial expansion, might be made wholly or partly deductible from taxable income.

Under appropriate conditions, a graduated general sales tax is a close approximation to a spending tax. Some progression is possible in a general sales tax; rates on luxury items can be much higher than on necessities. Basic foodstuffs might be entirely exempt.

The preceding discussion on tax incentives should not detract in any way from the imperative need for strengthening the tax structure generally and the definite measures towards that end indicated in Part IV.

### *Recommended Tax Proposals*

Definite tax proposals must be primarily predicated on the following objectives:

1. Increasing tax revenue in a manner that will not reduce private savings or investment but will make it possible to raise public investment and public credit for private investment without incurring inflation.

2. Increasing the volume of productive private investment.

3. Channeling private investment into desirable directions.

4. Increasing the volume of private savings.

In line with these objectives, the following tax measures should be recommended to Congress:

1. Based on the goals of the estimated fiscal budget for the period 1957-1961, the tax revenues should be increased from ₱727 million in 1955 to ₱1,369 million in 1961, or by about ₱642 million of which ₱537 million corresponds to the program period. This should mean siphoning off about 9 per cent during the first year and 15 per cent of the increase in GNP during the last four years of the five-year program.

2. Establish a Tax Research Division staffed by qualified economists and statisticians in the Department of Finance. This division should be assigned, among others, the task of studying the specific tax measures by which public revenues are to be raised to the levels contemplated in the development program and assessing their consequent effect upon economic growth.

3. Increase the assessment of real property so as to reflect its full and true market value and improve the institutional machinery for this purpose with the creation of a National Assessment Equalization Commission charged with the responsibility of reviewing classification schedules, assessments on the basis of such schedules, assessments of improvements to real property, and related matters. Assessment should be such that rewards for additional effort in production are not diminished. A progressive surtax should also be levied above the basic property tax on wholly or partially unused land.

4. The system of accelerated and postponed depreciation of industrial fixed assets should be incorporated in the Income Tax Law and geared to relative priorities established by the National Economic Council.

5. The Income Tax Law should be amended to provide for deductions from taxable income of the following:

(a) Earnings reinvested in undertakings considered as desirable by the government.

(b) Premium payments on life insurance.

(c) Savings deposited in special medium or long-term accounts.

(d) Savings invested in long-term government and private corporate securities.

(e) Donations to industrial and/or economic research institutions serving private industry and the general public.

### e. *Tariff Policy*

No matter how effectively the existing exchange and import controls may be used to promote economic development, and there is no question but that they should be so used, it should be remembered that they were conceived from the start as temporary measures. This makes it important that steps should be initiated now for the adoption of a dynamic and flexible tariff system responsive to the changing pattern of the country's economic development program and designed to adequately meet the probable impact of the gradual abolition of exchange and import controls. Such a policy, in order to be fully effective, must reflect the following objectives:

1. To promote industrial development by creating the conditions that will enable both new and established enterprises of reasonable long-run efficiency to operate on a competitive footing with foreign industries supplying the local market.
2. To insure preservation of the home market for Filipino labor, agriculture and industry.
3. To conserve foreign exchange.
4. To serve as an instrument of foreign trade policy.
5. To enhance and propagate culture and to conserve health and morals.
6. To raise government revenue.

In order that the above objectives may reasonably be attained, the tariff system should include the following main features, which should be made equally available and be made use of, either independently or correlatively, depending upon the circumstances of each particular case:

1. A flexible tariff proviso that would allow the executive to increase or reduce rates within specified limits.
2. An anti-dumping proviso.
3. An unfair trade practices provision.
4. A provision to permit the use of countervailing power.
5. Provisions to enable the country to counteract discriminatory practices that may be adopted by other countries.

6. Measures for the active promotion of foreign trade, particularly trade and payments agreements with countries desiring closer trade relations with the Philippines, and through tariff concessions that may be granted in exchange for similar concessions from those countries, under reciprocal conditions.

7. The adoption of the export value plus 12%, to represent a reasonable allowance for cost of freight and insurance, or the home consumption value, whichever of the two is higher, as the basis of dutiable value.

8. Use of trade intelligence through a properly organized consular service and a corps of competent commercial attaches and some permanent trade missions in strategic overseas trade centers.

The rates of import duty should be fixed at appropriate levels taking into account the essentiality of both producer and consumer goods as defined in resolution No. 18 of the National Economic Council or as may in the future be defined by competent authority.

Considering the abovementioned classification of commodities, rates of duty may be fixed for three main purposes, namely:

I. *For Protection*

a) Domestic industries may be protected by imposing:
   i) High tariff rates on essential and semi-essential commodities (both consumer and producer) which are produced locally in sufficient quantities.

b) Local consumers may be protected by:
   i) Allowing duty-free or imposing low tariff rates on essential and semi-essential consumer goods which are not produced locally.
   ii) Medium tariff rates on essential consumer and semi-essential consumer goods which are produced locally but not in sufficient quantities.

II. *For Production Incentives*

a) Incentives may be given to domestic industries by:
   i) Allowing the duty-free entry of highly essential basic raw materials which are not produced locally.
   ii) Imposing medium tariff rates on essential and semi-essential producer goods which are produced locally but not in sufficient quantities.

III. *For Discouraging Entry of Non-Essential Goods*

a) Entry of non-essential goods (both consumer and producer) may be discouraged by imposing:
  - i) Prohibitive tariff rates on non-essential (both consumer and producer) goods which are produced locally in sufficient quantities.
  - ii) High tariff rates on non-essential (both consumer and producer) goods which are not produced locally.

The above three main regulatory purposes of the tariff as an instrument of trade policy can only be fully achieved if the criteria in fixing the rates of duty agree closely with the commodity classification, as well as the pattern of foreign exchange allocation that the Council may adopt, and which the Central Bank will implement, from time to time. Tariff rates of duty should be judiciously and periodically adjusted in order to obviate excessive protection, as well as inadequate protection, to new and/or existing industries.

### f. *Reparations, Foreign Aid, and Foreign Investment Policy*

Reparations payments from Japan, foreign aid grants and loans under existing cooperative agreements with other nations, and incoming foreign capital, whether in the form of loans or direct investments, should all be viewed as additions to the country's foreign exchange resources and should be reflected in the foreign exchange budget. As such, their utilization should be coordinated with one another and should follow the criteria laid down by the country's approved foreign exchange policy in order to ensure their maximum contribution to economic development.

Accordingly, the overall policy, relative to reparations, foreign aid, and foreign capital inflow alike, should be to utilize these sources of capital formation in the same manner that the country's foreign exchange resources are proposed to be used; that is, to channel them to uses of greatest importance to economic development via the priority system formulated by the National Economic Council in accordance with the economic development program.

#### *Reparations*

Under the Reparations Agreement signed May 9, 1956, between the Philippines and Japan and ratified on July 23, 1956, Japan has committed herself to the payment of reparations mostly in capital goods and services totalling $550 million over a period of 20 years.

During the first ten years, payments are to average $25 million a year. Payments during the second ten years will average $30 million a year although, by mutual agreement, this second decade may be shortened and the amount of the annual payment increased correspondingly.

During the first five years, or from July 23, 1956, to July 22, 1961, part of the services to be paid from reparations will be converted into cash at the rate of $4 million a year for later appropriation by Congress for the benefit of disabled veterans and widows and orphans of those who fought in World War II.

The agreement also provides that the cost of approximately $6.6 million of the salvage operations undertaken under the interim reparations agreement for the salvage of sunken vessels in Manila Bay and Cebu harbor would be credited to the reparations account for the first year.

Consequently, during the program period, the actual amounts of capital goods and services usable for development that may be obtainable as reparations would be as follows (in million U.S. dollars):

| 1957 | 1958 | 1959 | 1960 | 1961 | Total 1957-1961 |
|---|---|---|---|---|---|
| 14.4 | 21 | 21 | 21 | 21 | 98.4 |

It seems possible, however, judging from recent trends, that the $4 million annual payment for the first five years to be converted into pesos might be made also in the form of capital goods and services; in which case, the above totals might be expanded into the following:

| 1957 | 1958 | 1959 | 1960 | 1961 | Total 1957-1961 |
|---|---|---|---|---|---|
| 18.4 | 25 | 25 | 25 | 25 | 118.4 |

It seems definite that the first year goods and services from this source will all go to the public sector while present thinking seems to favor the allocation of at least half of the goods and services in subsequent years to the private sector.

In order to ensure that the utilization of these resources will result in maximum benefit to the economy, it seems imperative that the bulk be earmarked for use in high-priority projects incorporated in the five-year program and detailed implementation thereof governed by definite principles. (See Appendix 3-05).

In addition to reparations payments, an exchange of notes between the Philippine and Japanese governments dated May 9, 1956, provided for both governments to facilitate economic development loans between private Japanese financiers and financial institutions on the one hand and private Filipino industrial borrowers on the other. A total of $250 million is envisioned over the 20-year period of effectivity of the Reparations Agreement. The loans are described as long-term low-interest loans to be extended on a commercial basis with no definite yearly amount specified. It is, however, stipulated that the loans will consist principally of machinery and equipment for specific industries in fields of investment designated by the Philippine government.

As in the case of reparations goods and services, it is essential that the Philippine government endorse only those of these loans as will contribute to economic development, such endorsement to be effected under the same guiding principles as indicated in Appendix 3-05.

The effective utilization of the goods and services to be obtained from Japan, either as reparations or as loans, entails peso financing of local costs involved. This calls for the setting up of a peso development fund out of the proceeds from the sales of reparations goods and services and the utilization of the banking system to finance the acquisition, installation, and operation of reparations goods and services. The full and effective use of public credit in coordination with the operation of the reparations development fund could be ensured through the adoption of a guarantee and time deposit scheme, which has been used to advantage in the development of counterpart projects under American aid, and which the government could institute in the implementation of the reparations program. In this manner the banks would be stimulated to extend the necessary financing to private enterprises utilizing reparations goods and services.

### *Foreign Aid Grants and Loans*

There are three assistance programs under which the Philippines may get either economic or technical assistance. These are the Economic and Technical Cooperation Agreement with the United States which gave birth to the present NEC-ICA program; the Colombo Plan; and the United Nations Technical Assistance Program.

It is only under the first that the Philippines has actually received economic assistance as well as technical assistance. Both types of assistance may be obtained under the Colombo Plan, but only technical assistance has been availed of thus far while the possibilities of economic aid have not even been explored. Under the United Nations Program, only technical assistance is provided for.

As of June 30, 1956, total grants-in-aid of $105.1 million in goods and services[1] have been allotted to the Philippines under the NEC-ICA program since Fiscal Year 1951, or an average of $17.5 million a year. Additional aid allotted under the Philippine Special Program and Philippine Special Account totalled $31.8 million, bringing the total annual rate to $22.5 million. The real measure, however, is the value of actual arrivals which during the same period amounted to an overall $98.8 million, or a total yearly average of $16.5 million. In addition, Export-Import Bank loans have been extended to the National Power Corporation for its Ambuklao Project and to the Central Bank for relending through private banks to private entrepreneurs. These loans, which are actually credit lines, total about $90 million at present. Assuming that this particular program will continue for some time, it is essential that its programming should be consciously coordinated with the national economic development program in the most effective manner possible. One way by which this can be done is by channelling more of the aid funds to the Industrial Development Center which in turn could make more dollars available to private industry for capital goods importation in coordination with local financing.

The possibilities of economic assistance under the Colombo Plan as well as of bilateral agreements with such countries as West Germany should also be carefully explored.

In all cases, selection of projects for assistance of any kind must be in consonance with priorities established under the NEC priority system.

In the matter of technical assistance under any program, including reparations under which Filipino technicians may be given training in Japan, the fields of training and the relative emphasis between fields must be correlated with the manpower requirements of the development program.

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[1] See Appendix 3-06.

*Foreign Capital*

Foreign capital will continue to be needed if full-scale implementation of the economic development program is to be assured. The rate of inflow of private foreign capital has averaged not more than ₱50 million a year in the past five years, much of it in the form of reinvested domestic earnings and not wholly in actual new capital from abroad. There is no certainty that under any system of new incentives, this inflow can be induced to increase. However, such an increased flow would be welcome provided it would go into desirable lines of activity according to the NEC priority principles.

In the decade following the grant of Philippine independence, a number of national economic development programs were formulated[1] but unfortunately, for some reason or another, did not result in a material increase in the inflow of foreign capital. Since such increased inflow is needed to supplement domestic sources of capital formation in order that the desired rate of economic growth may be achieved, a more determined effort to encourage it seems but logical. It is, therefore, important that the terms and conditions in which it may be allowed to come in by the government be explicitly stated in the program or through the enactment of a clearcut foreign investment law.

Efforts should be exerted to disseminate adequate information about the specific conditions that would govern entry of foreign capital, the potentials for development including markets and resources, the political and economic security of the investment, and the facilities for remittance of profits and for repatriation of capital. Clear and wide publicity should now be given to the Central Bank policy on remittances of profits and of capital to foreign investors, and to the public services that the government is ready to afford foreign investment.

### g. *Miscellaneous Supplementary Policies*

Other steps that the government should take in its efforts to induce the maximum contribution of private enterprise to economic development might consist of the following:

1. Prevent wasteful competition in fields where demand is inelastic by adopting a system of industrial licensing.

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[1] The 1948 Program of Rehabilitation and Development, the 1950 Philippine Agricultural and Industrial Development Program, and the Five-Year Plan for Fiscal Years 1955 to 1959 were the latest of these.

2. The creation of the Bureau of Industrial Promotion to which the Industrial Development Center will be transferred as embodied in the approved Reorganization Plan No. 27 should be implemented to aid prospective investors in putting up new enterprises with a minimum of red tape and loss of time.

3. There should be consistent, unified application of all policies that impinge on productive enterprises.

4. Extend financial aid to private enterprise desiring to engage in low-profit, capital-intensive, highly essential or basic industries on a partnership basis if need be with the understanding that the government share would be transferred to the private partner at any time the latter becomes able and willing to acquire the same.

5. Provide for more effective promotion of Philippine products overseas, through improvement in our consular service and the corps of commercial attaches, and a coordinated system of overseas press relations services.

6. Intensify efforts to develop a local securities market.

7. Strengthen existing industrial research facilities and assistance to scientists and researchers by reinvigorating the National Research Council and the Institute of Science and Technology on a broad and sound basis.

8. Promote the standardization of products, both for export and domestic use, by setting up a Bureau of Standards.

## PART IV—*FISCAL AND FOREIGN EXCHANGE IMPLICATIONS OF THE PROGRAM*

In collaboration with the various government offices concerned, the staff of the NEC attempted to assess the impact of the proposed investment program on the balance of payments and internal price levels. For this purpose, a series of projections were made, specifically a five-year foreign exchange budget and a fiscal budget covering the program period. The lack of important basic information, however, such as on the current levels of net investment or the rate of import replacement by local production, as well as on certain intangible factors such as changes in monetary habits or the extent of the non-monetized sector prevents quantitative precision in the studies undertaken.

Subject to these limitations, studies made by the NEC staff show that the proposed investment program can be safely undertaken while maintaining reasonable external and internal stability. This conclusion, however, is based on a number of major assumptions, as follows:

1. That the expected annual increase in GNP, as well as the indicated levels of import replacement necessary for balance, as shown in Section VI of the Foreign Exchange Budget, can be realized.
2. That the necessary and recommended credit expansion in certain directions will be largely or wholly offset by reductions in less desirable directions so that credit expansion will, on balance, be moderate.
3. That government revenues will be increased at the rate of 15% of the net increment of GNP during the period FY 1958-1961, with no increase in the tax burden in the first year of the program (1957).
4. That the marginal rate of savings will be stimulated to reach the expected level of 10 per cent of GNP.
5. That the current government expenditures will increase more or less at 8 per cent annually.

If all these assumptions are fully satisfied, it is believed that the proposed investment program can be carried out without any inflationary increase in prices or undue pressure on the balance of payments.

If any of these factors are not realized, particularly the indicated levels of import substitution out of the estimated annual increase in Gross National Product (Section VI of the Foreign Exchange Budget), or the estimated expansion of private savings, it is believed that the proposed investment program cannot be undertaken without resulting in serious external and internal strains. If one or the other factor should develop in a more favorable direction than assumed such as, for instance, if the terms of trade should improve considerably, or domestic production increase at a faster rate than assumed, a moderate shortfall in one or the other five factors would not necessarily be incompatible with the maintenance of external and internal stability.

## CHAPTER 9 — A FOREIGN EXCHANGE BUDGET PROPOSAL

The following foreign exchange budget [1] reflects the estimated foreign exchange receipts and requirements during the program period. The table embodies three models based on different assumptions. Model I assumes that export earnings will remain constant at the 1956 level; Model II, that the volume of exports will increase but at the minimum export prices during the period 1950-55; and Model III, that the average export prices during the period 1950-55 will prevail during the program period. In the light of current trends in the foreign trade sector, Model I and II are realistic projections, and there is really not much difference between these two models. Model III assumes in effect a reversal of the long-continued deterioration of the Philippine terms of trade and is, therefore, a somewhat too hopeful assumption.

Section II of the table is a forecast of the foreign exchange requirements for "normal" imports and for additional imports of both the public and private sector as a direct result of the development program. The estimated "normal" imports were increased by 2% each year in order to allow for the population growth. It is worthy of note, however, that the "normal" import requirements were based on the regular commitments for foreign exchange allocations of the Central Bank in 1956. It must be remembered that total foreign exchange allocation in 1956 represents a drop of ₱130 million from the 1955 level and indicates, therefore, a situation in which controls were tightened considerably. It is also worth noting that the drastic cuts in allocation during 1956 have generated some upward pressures on prices which are beginning to be felt.

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[1] Prepared with the assistance of the Dept. of Economic Research, Central Bank.

Section III summarizes the results and shows the balances between the expected "normal" and direct import requirements and the total import capacity of the economy. It indicates the foreign exchange as compared to fiscal year 1956 which can be utilized for additional imports to cover the additional demand for imports expected to result from the expansion in total incomes.

Section IV is a forecast of this additional demand for imports as a result of rising incomes. As pointed out earlier in this program, national income is expected to increase at the rate of 6% a year or a per capita increase of approximately 4%. It wil be recalled that in Section II of the table, the 2% increase in population or 1/3 of the increase in incomes was taken into account in the regular commitments for foreign exchange allocations. Of the remaining 2/3 of the increase in incomes, it is expected that 14% of this would result in a demand for imported goods.

Section V indicates the levels of import substitution required to balance the foreign accounts at the 1956 levels under the different assumptions of the various models. It may be noted that if the 1956 levels of export earnings are maintained (Model I) the total import substitution required for the five-year period will amount to $285 million or an annual average of more than $57 million; that if the minimum export prices of 1950-55 are realized (Model II), the amount of import substitution required will amount to $330 million, or an average of more than $66 million per year. However, if average export prices in 1950-55 are realized (Model III), there can be a moderate relaxation of controls even if no import substitution is realized.

Section VI shows the degree of import substitution required for balance as a percentage of the annual increase in GNP required for import substitution. To the extent that actual import substitution should fall short of these levels, additional pressure on the balance of payments would result and the investment program will have to be scaled down. Section VI shows that under the assumptions of Models I and II some 17-20 per cent of the assumed addition to production or about $327 million or ₱654 million over the five-year fiscal period ($65 million or ₱131 million per annum) should be in the form of import-substituting commodities (or export-promoting in excess of the exports assumed in Models I and II). These percentages and actual amounts of about P131 million per annum do not seem to be impossible of achievement. The requirement for import substitution in 1957 is less and, for Model I, also that for 1958. To the extent that the required import substitution can be exceeded, import controls can be relaxed. Similarly, under the more optimistic assumptions of Model III (average prices of 1950-55) import controls can be slightly relaxed, even if no import substitution takes place, i.e., the whole of the actual import substitution can be available for a relaxation of import controls (or possibly of an increased rate of investment and imports of capital goods). It is assumed that production of import substitutes would take place at a reasonable level of efficiency.

## ESTIMATES OF FOREIGN EXCHANGE RECEIPTS AND EXPENDITURES
FY 1957 - 1961

(Million dollars)

| Items | 1957 | 1958 | 1959 | 1960 | 1961 | Total 1957-1961 |
|---|---|---|---|---|---|---|
| I. ESTIMATES OF FOREIGN EXCHANGE FOR IMPORTS | | | | | | |
| A. Regular Sources: | | | | | | |
| 1. Invisible Receipts & Disbursements | | | | | | |
| a. Receipts | 180.73 | 184.73 | 187.94 | 190.70 | 193.82 | 937.97 |
| (1) Gold | 4.20 | 4.20 | 4.20 | 4.20 | 4.20 | 21.00 |
| (2) U.S. Government expenditures | 125.62 | 128.51 | 130.51 | 132.11 | 134.08 | 650.83 |
| (3) Miscellaneous | 50.91 | 52.07 | 53.23 | 54.39 | 55.54 | 266.14 |
| b. Disbursements | 88.35 | 96.45 | 99.58 | 103.20 | 104.62 | 492.20 |
| (1) Philippine Government expenditures | 14.95 | 14.75 | 14.48 | 14.20 | 13.92 | 72.30 |
| (2) Miscellaneous | 73.40 | 81.70 | 85.10 | 89.00 | 90.70 | 419.90 |
| c. Surplus (deficit) | 92.38 | 88.33 | 88.36 | 87.50 | 89.20 | 445.77 |
| 2. Export Receipts | | | | | | |
| a. Model I. Constant at FY 1956 level | 416.06 | 416.06 | 416.06 | 416.06 | 416.06 | 2,080.30 |
| b. Constant export-production ratio (vol.) | | | | | | |
| (1) Model II: minimum prices, 1950-55 | 380.74 | 391.52 | 405.04 | 419.75 | 438.02 | 2,035.07 |
| (2) Model III: average prices, 1950-55 | 452.00 | 465.21 | 482.02 | 501.72 | 526.78 | 2,427.78 |
| B. Extraordinary Sources: | 70.5 | 57.5 | 62.5 | 62.5 | 67.5 | 320.5 |
| 3. Reparations payments | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 125.0 |
| 4. Reparations loans | 12.5 | 12.5 | 12.5 | 12.5 | 12.5 | 62.5 |
| 5. Sale of P.I. bonds in U.S. market | 33.0 | 20.0 | 25.0 | 25.0 | 30.0 | 133.0 |

| | 1957 | 1958 | 1959 | 1960 | 1961 | Total 1957-1961 |
|---|---|---|---|---|---|---|
| C. Foreign Exchange Available for Imports: | | | | | | |
| 6. Model I | 578.94 | 561.89 | 566.92 | 566.06 | 572.76 | 2,846.57 |
| 7. Model II | 543.62 | 537.35 | 555.90 | 569.75 | 594.72 | 2,801.34 |
| 8. Model III | 614.88 | 611.04 | 632.88 | 651.72 | 683.48 | 3,194.00 |
| II. ESTIMATES OF FOREIGN EXCHANGE REQUIREMENTS FOR IMPORTS (EXCLUSIVE OF INDIRECT EFFECTS OF DEVELOPMENT PROGRAM AND OF IMPORT SUBSTITUTION) | | | | | | |
| D. Total Requirements | 583.04 | 587.31 | 599.26 | 610.40 | 619.22 | 2,999.23 |
| 9. Direct private sector requirements | 514.54 | 524.31 | 534.26 | 544.40 | 554.72 | 2,672.23 |
| a. Consumer | 175.93 | 179.27 | 182.67 | 186.14 | 189.67 | 913.68 |
| b. Industry | 338.61 | 345.04 | 351.59 | 358.26 | 365.05 | 1,758.55 |
| (1) Raw materials and replacements for existing industries | 250.57 | 255.33 | 260.18 | 265.12 | 270.15 | 1,301.35 |
| (2) Capital goods and raw materials for new industries | 88.04 | 89.71 | 91.41 | 93.14 | 94.90 | 457.20 |
| 10. Direct development requirements (public sector) | 63.50 | 63.00 | 65.00 | 66.00 | 64.50 | 327.00 |
| III. SURPLUS (DEFICIT): SUPPLY—DEMAND (EXCLUDING INDIRECT REQUIREMENTS OF THE DEVELOPMENT PROGRAM AND IMPORT SUBSTITUTION) | | | | | | |
| 11. Model I | ( 4.10) | (25.42) | (32.34) | (44.34) | (46.46) | (152.66) |
| 12. Model II | ( 39.42) | (49.96) | (43.36) | (40.65) | (24.50) | (197.89) |
| 13. Model III | 31.84 | 23.73 | 33.62 | 41.32 | 64.26 | 194.77 |

| | 1957 | 1958 | 1959 | 1960 | 1961 | 1957-1961 |
|---|---|---|---|---|---|---|
| IV. INDIRECT REQUIREMENTS OF THE DEVELOPMENT PROGRAM | | | | | | |
| 14. Additional import demand arising from increase in per capita income | ( 23.75) | (25.00) | (26.50) | (28.00) | (29.50) | (132.75) |
| V. EXCESS OF DEMAND OVER SUPPLY = VOLUME OF IMPORT SUBSTITUTION REQUIRED FOR BALANCE | | | | | | |
| 15. Model I (11 + 14) | 27.85 | 50.42 | 58.84 | 72.34 | 75.96 | 285.41 |
| 16. Model II (12 + 14) | 63.17 | 74.96 | 69.86 | 68.65 | 54.00 | 330.64 |
| 17. Model III (13 + 14) | ( 8.09) | 1.27 | ( 7.12) | (13.32) | (34.76) | ( 62.02) |
| VI. DEGREE OF IMPORT SUBSTITUTION REQUIRED FOR BALANCE AS PER CENT OF EXPECTED INCREASE IN VOLUME OF GOODS AND SERVICES (Bracketed figures indicate a possible addition to supply of goods from imports even without import substitution). | | | | | | |
| 18. Model I | 9.5% | 16.0% | 17.3% | 20.1% | 20.0% | 16.9% |
| 19. Model II | 21.6% | 23.8% | 20.5% | 19.1% | 14.2% | 19.6% |
| 20. Model III | ( 2.8%) | 0.4% | ( 2.1%) | ( 3.7%) | ( 9.1%) | ( 3.7%) |

# CHAPTER 10 — FISCAL BUDGET

An appraisal of the scope and impact of the proposed public investment program on government finances as well as upon the economy may be made from the estimated fiscal budget prepared with the cooperation of the Fiscal Policy Staff of the Budget Commission. For this purpose, two models of the Five Year Fiscal Budget were constructed which are described and presented below.

Both models assume a yearly increase of 6% in gross national product, that the price level will be fairly stable, and that the total government expenditures during the five-year period 1957-61 would be about 12% of gross national product, as compared with 9.5% in 1955 and an estimated 10.9 per cent in 1956. It is worth noting that while no increase of the total government expenditures in proportion to gross national product is contemplated, government expenditures for capital outlay in proportion to total expenditures during the five-year period will be much higher than in 1955.

On the revenue side, both models assume that, over the five-year period, about ₱100 million per annum will be available as government receipts through foreign aid and loans and through sale of bonds in the United States.

The main difference between the two models lies in the level of estimated ordinary receipts. Under Model I, ordinary government revenues are assumed to almost double 1955 levels by 1961. This would imply new taxes on income, gifts and inheritance, imported items and other potential sources of revenue as well as possibly the widening of the tax base. It also assumes efficient tax collection on the increment in income without undue time lag. The proportion of the annual increment in government revenues that must be collected to the annual increment in income resulting from substantial implementation of the program is estimated to be about 9% for the first year and 15% for each of the last four years of the program period. It should be emphasized at this point that this proportion is not high[1] and that the level estimated represents the minimum required to keep within safe limits the expansion of money incomes as a result of borrowing. These "safe" limits of borrowing have been estimated on the assumption, derived from the foreign exchange budget, that it may be found necessary to restrict the absolute volume of imported consumption goods during the program period close to current levels.

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[1] The first Five-Year Plan of India proposed a value of 50 per cent for this ratio, although it was found too high as the program period drew to a close. The second Five-Year Plan estimates this ratio to vary from 11 to 14 per cent. On the other hand, a U.N. Report "Some Financial Aspects of Development Programmes in Asian Countries" (Economic Bulletin for Asia and the Far East, November, 1952) has this to say: "An economy which is liable to inflation should have a tax structure which maps up 40 per cent of marginal money incomes."

It should also be noted that the estimated surplus at the end of each year depends on how closely the levels of actual extraordinary receipts from external sources approach the projected levels in the table. Should these receipts fall by as much as 50 per cent, the actual surpluses would then correspondingly decrease to possibly dangerously low levels.

If it should not be possible to strengthen the tax structure as assumed in Model I, the resulting developments are shown in Model II. This assumes that ordinary receipts will increase only in proportion to the gross national product, i.e., by 6% per annum. This will involve deficits during the last three years of the five-year period, FY 1959-1961, totalling ₱349 million. If such deficits should be incurred in the face of the necessity to keep or intensify restrictions on the import of consumption goods, such deficits would clearly be incompatible with economic stability.

Another possibility is that in the event that presently unforeseen factors might lead to a rate of growth in gross national product of less than 6 per cent annually, maintenance of the projected levels of current and capital outlays will lead to greater deficits than anticipated in Model I. This underscores the need for constant review of government spending, recommended elsewhere in this report, in order that needed adjustments can be made in time.

The fact remains that if economic development is to be pursued under conditions of financial stability along the lines indicated in the estimated fiscal budget, (Model I) it is essential that the present tax structure be strengthened and the tax base widened or both. The other alternative is to achieve a reduction in current government expenditures of low priority, stretching out the program period, or both.

## MODEL I
## ESTIMATED FIVE-YEAR FISCAL BUDGET
### FY 1957-61
(In million pesos)

| Items | 1955 (Actual) | 1956 (Est'd) | 1957 | 1958 | 1959 | 1960 | 1961 | Total 1957-61 |
|---|---|---|---|---|---|---|---|---|
| **Gross National Product** | 8,856 | 9,507 | 10,077 | 10,712 | 11,387 | 12,107 | 12,874 | 57,157 |
| **Total Expenditures** | 847 | 1,039 | 1,209 | 1,285 | 1,366 | 1,453 | 1,545 | 6,858 |
| Current | 622 | 661 | 714 | 771 | 832 | 899 | 971 | 4,187 |
| Capital | 172 | 318 | 385 | 393 | 401 | 408 | 413 | 2,000 |
| Debt Service | 53 | 60 | 110 | 121 | 133 | 146 | 161 | 671 |
| **Ordinary Receipts** | 727 | 832 | 950 | 1,045 | 1,146 | 1,254 | 1,369 | 5,764 |
| General Fund | 596 | 701 | 760 | 836 | 917 | 1,003 | 1,095 | 4,611 |
| Special & Fiduciary Fund | 131 | 131 | 190 | 209 | 229 | 251 | 274 | 1,153 |
| **Excess of ordinary receipts over expenditures** | (120) | (207) | (259) | (240) | (220) | (199) | (176) | (1,094) |
| **Extraordinary Receipts** | 150 | 188 | 223 | 217 | 222 | 237 | 256 | 1,155 |
| A. Internal Sources: | 150 | 188 | 119 | 126 | 127 | 140 | 152 | 664 |
| 1. Public borrowing (RA 1000) | 78 | 140 | 94 | 101 | 102 | 115 | 127 | 539 |
| 2. Other bond issues[1] | — | — | 19 | 19 | 19 | 19 | 19 | 95 |
| 3. Other public borrowing[2] | 72 | 48 | 6 | 6 | 6 | 6 | 6 | 30 |
| B. External Sources: | — | — | 104 | 91 | 95 | 97 | 104 | 491 |
| 1. Foreign aid and loans | — | — | 71 | 71 | 70 | 72 | 74 | 358 |
| 2. Sale of P.I. bonds in U.S. | — | — | 33 | 20 | 25 | 25 | 30 | 133 |
| Excess of receipts over expenditures | 30 | (19) | (36) | (23) | 2 | 38 | 80 | 61 |
| Add surplus beginning of year | 119 | 149 | 130 | 94 | 71 | 73 | 111 | |
| Surplus, end of year | 149 | 130 | 94 | 71 | 73 | 111 | 191 | |

SOURCE: Estimates based on the information obtained from various budgets and from the balance sheets of government-owned or controlled economic enterprises.

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[1] Represent only NPC and NAWASA bond issues and exclude ACCFA bond issues of roughly ₱20 million annually or ₱100 million for the Five-Year Program for financing private loans.

[2] Represents sales of Treasury notes and other government obligations for FY 1955 and bank loans for the period FY 1957-61.

## MODEL I

## ASSUMPTIONS OF THE FIVE-YEAR FISCAL BUDGET 1957-1961

1. That national production will increase yearly by 6%.
2. That price levels will be fairly stable.
3. That there will be an increasingly greater proportion of government expenditures for capital outlay.
4. That no additional taxes will be levied the first year. However, in order to finance the desired level of public development as well as check the expansion of inflationary forces, 15% of the net increase in Gross National Product in the second year to the fifth year of the program period will have to be mopped up by either the imposition of additional taxes on income, gifts and inheritance, imported items and other sources, or the widening of the tax base, or improvements in collection, or a combination of all of these.
5. That adequate funds will be provided yearly for the amortization of the public debt.
6. Total Expenditures:
    a. That about 12 per cent of the Gross National Product is total government expenditure. In 1955, the ratio of total government expenditures to Gross National Product was 9.5 per cent and is estimated to be 10.9 per cent in 1956.

    b. That about 29.3 per cent of total expenditure is for capital outlay. Ratio of capital expenditures to total expenditures in 1955 was about 20 per cent and is estimated to be 30 per cent in 1956.

    c. That debt service will increase by about 10 per cent annually.

    d. That current expenditures will increase by 8 per cent annually. The average rate of increase in the past six years has been about 7 per cent. A slightly greater rate is assumed due to the increased operating demands of projects to be completed during the program period.

7. **Ordinary Receipts:**

   a. That government revenues and earnings for the first year (FY 1957) will be about 9% of the Gross National Product due to intensified tax collections. The proportion of taxes to Gross National Product in 1955 was 8%.

   b. That government revenues and earnings will increase by 15% of the net increase in Gross National Product beginning with the second year of the program period or for the period FY 1958-1961.

   c. That approximately 80% of the ordinary receipts goes to the General Fund and the remaining 20% to the Special and Fiduciary Funds.

8. Extraordinary Receipts:

   That the proposed public borrowing program will be implemented fully.

## MODEL II
## ESTIMATED FIVE-YEAR FISCAL BUDGET
FY 1957-1961
(In million pesos)

| Items | 1955 (Actual) | 1956 (Est'd) | 1957 | 1958 | 1959 | 1960 | 1961 | Total 1957-61 |
|---|---|---|---|---|---|---|---|---|
| Gross National Product | 8,856 | 9,507 | 10,077 | 10,712 | 11,387 | 12,107 | 12,874 | 57,157 |
| **Total Expenditures** | 847 | 1,039 | 1,209 | 1,285 | 1,366 | 1,453 | 1,545 | 6,858 |
| Current | 622 | 661 | 714 | 771 | 832 | 899 | 971 | 4,187 |
| Capital | 172 | 318 | 385 | 393 | 401 | 408 | 413 | 2,000 |
| Debt | 53 | 60 | 110 | 121 | 133 | 146 | 161 | 671 |
| **Ordinary Receipts** | 727 | 832 | 950 | 1,007 | 1,067 | 1,131 | 1,199 | 5,354 |
| General Fund | 596 | 701 | 760 | 805 | 854 | 905 | 959 | 4,283 |
| Special & Fiduciary Fund | 131 | 131 | 190 | 202 | 213 | 226 | 240 | 1,071 |
| Excess of ordinary receipts over expenditures | (120) | (207) | (259) | (278) | (299) | (322) | (346) | (1,504) |
| **Extraordinary Receipts** | 150 | 188 | 223 | 217 | 222 | 237 | 256 | 1,155 |
| A. Internal Sources: | 150 | 188 | 119 | 126 | 127 | 140 | 152 | 664 |
| 1. Public borrowing (RA 1000) | 78 | 140 | 94 | 101 | 102 | 115 | 127 | 539 |
| 2. Other bond issues[1] | — | — | 19 | 19 | 19 | 19 | 19 | 95 |
| 3. Other public borrowing[2] | 72 | 48 | 6 | 6 | 6 | 6 | 6 | 30 |
| B. External Sources: | — | — | 104 | 91 | 95 | 97 | 104 | 491 |
| 1. Foreign aid and loans | — | — | 71 | 71 | 70 | 72 | 74 | 358 |
| 2. Sale of P.I. bonds in U.S. | — | — | 33 | 20 | 25 | 25 | 30 | 133 |
| Excess of receipts over expenditures .............................. | 30 | (19) | (36) | (61) | (77) | (85) | (90) | (349) |
| Add surplus beginning of year .................... | 119 | 149 | 130 | 94 | 33 | (44) | (129) | |
| Surplus, end of year ............................ | 149 | 130 | 94 | 33 | (44) | (129) | (219) | |

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SOURCE: Estimates based on the information obtained from various budgets and from the balance sheets of government-owned or controlled economic enterprises.

[1] Represent only NPC and NAWASA bond issues and exclude ACCFA bond issues of roughly ₱20 million annually or ₱100 million for the Five-Year Program for financing private loans.

[2] Represents sales of Treasury notes and other government obligations for FY 1955 and bank loans for the period FY 1957-61.

## MODEL II

## ASSUMPTIONS OF THE FIVE-YEAR FISCAL BUDGET FY 1957-1961

1. That national production will increase yearly by 6 per cent.
2. That price levels will be fairly stable.
3. That an increasingly greater proportion of government expenditures will be for capital outlay.
4. That tax collections on the additional increase in income will be collected efficiently without time lag.
5. That the present tax structure will be maintained with no new taxes levied on income, gifts and inheritance, imported items and others.
6. That adequate funds will be provided yearly for the amortization of the public debt.
7. Total Expenditures:
    a. That about 12 per cent of the Gross National Product is government expenditure. In 1955, ratio of government expenditures to Gross National Product was 9.5 per cent and is estimated to be 10.9 per cent in 1956.
    b. That about 29.3 per cent of total expenditures is for capital outlay. Ratio of capital expenditures to total expenditures in 1955 was about 20 per cent and is estimated to be 30 per cent in 1956.
    c. That debt service will increase by about 10 per cent annually.
    d. That current expenditures will increase by 8 per cent annually.
8. Ordinary Receipts:

    That government revenues and earnings for the first year (FY 1957) will be about 9% of Gross National Product due to intensified tax collection and will increase by 6% annually thereafter. The proportion of taxes to Gross National Product in 1955 was 8%.
9. Extraordinary Receipts:

    That the proposed borrowing program of the plan will be implemented fully.

## PART V—*RECOMMENDATIONS FOR IMPLEMENTARY ACTION BY THE PRESIDENT, BY CONGRESS AND BY VARIOUS AGENCIES OF THE GOVERNMENT*

The various recommendations, policy or otherwise, embodied in the program will call in either case for: (1) approval by the President and enforcement through such implementing executive or administrative orders as may be needed and which are within the legal powers of the Executive Department to promulgate; and (2) for Congressional action on those recommended policies and measures which will require the sanction and force of law. In certain cases, however, some of the recommended policies and action measures are already within the power of various agencies to immediately implement without need for new authorizations from either the President or Congress. It is important accordingly to delineate the specific roles and responsibilities of various agencies in the implementation of new policies and measures to be approved either by the President or by Congress. In this light, the recommendations indicated below are being presented:

### I. *Recommendations for Action by the President*

#### A. *Over-All Recommendations*:

1. Early approval and endorsement of the Five-Year Plan followed soon thereafter with instructions to all governmental agencies to use the plan as an overall guide in readjusting departmental (and other agency) plans and current action programs to the objectives and goals indicated therein.

2. Make the National Economic Council a clearing house for all proposed bills on economic development and those which, although they may not specifically refer to economic development, may exert an important effect on the growth of the economy, emanating from various government agencies for presentation to Congress and for all approved bills of the same nature preparatory to approval by the President.

3. Give priority to reorganization measures having to do with the implementation of development programs and calling attention to the close scrutiny of the "staffing" phase in consonance with the requirements of the new organization and the effective carrying

out of the reorganized functions. The emphasis should be on the selection of qualified, highly competent personnel at least for key positions.

4. Course through the National Economic Council for study and consideration all proposals regarding economic policies and measures emanating from all government agencies for administrative decision by the President, to avoid possible conflicts with the objectives and goals embodied in the approved plan.

5. Require closer coordination and evaluation of activities, functions, and accomplishments of the various agencies by creating within available appropriations and means a small but effective evaluation unit on the departmental level in order to determine possible bottlenecks and possible measures to take to maximize program achievements.

6. Institution of in-service training programs in public administration for employees on the administrative level like division chiefs, section chiefs, and similar line positions. Training on this level will be diffused downward through the subsequent on-the-job training of under-studies and the actual application of modern management techniques in operational functions.

The proposed Economic Development Institute in the University of the Philippines should be immediately established to expand opportunities for better specialization in the field of economics and economic planning and management.

7. There should be a simplification of the entire process of action on personnel matters. To avoid unnecessary delay of action on appointments, only those of a highly technical and executive nature should require approval of the Budget Commission and the Office of the President. Those below this level should only go as far as the Bureau of Civil Service.

To improve the morale of employees and effect greater efficiency, job security and stability should be provided at all levels below that of Department Secretaries and similar positions.

8. Expand the operations of the Industrial Development Center by making more funds available to it. This will enable commercial banks to extend their lending operations to essential industrial enterprises. The proceeds from loans and aid obtainable from ICA and other foreign sources should be used for this purpose.

9. Approval by the President of the revised commodity classification approved under NEC Resolution 97 on August 30, 1956, for

immediate adoption by the agencies concerned in its implementation.

B. *Specific Sectoral Recommendations*:

*Agriculture, Forestry and Fisheries*

1. Extend the ban on the slaughter of carabaos for another three years.

2. Increase budgetary outlays for the Bureau of Animal Industry to provide for the expansion of artificial insemination and the establishment of an animal quarantine station.

3. Increase the budgetary outlay of the Bureau of Forestry to provide ₱250,000 for the zonification and delineation of public swamplands to be released for fishpond purposes.

4. Increase the budgetary outlays of the Bureau of Fisheries to provide ₱1,260,000 for the expansion of demonstration fishponds, demonstration in modern methods of fishing, and preservation and processing of fish and fishery products.

*Services (Utilities)*

1. Issuance of an executive order implementing Reorganization Plans Nos. 60 and 73. Likewise, to implement fully and carry out the functions and responsibilities outlined in Plan No. 60, the proposed office must be provided with sufficient well-qualified staff and operating funds.

*Trade and Commerce*

1. The endorsement and certification to Congress as urgent by the President of the Philippines of the Non-Agricultural Cooperatives Bill as recommended by the National Economic Council.

2. The immediate implementation of the reorganization plan creating the Bureau of Foreign Trade.

II. *Recommendations for Action by Congress*

A. *Over-All Recommendations*:

1. Adoption of a joint resolution by Congress endorsing a broad economic policy of increasing production, real income, and employment as a guide to economic planning and development.

2. Enactment of a law creating a Joint Committee on Economic Planning and Development in Congress with a competent staff on the professional level to analyze the Five-Year Plan of the Pres-

ident, and amending Reorganization Plan No. 10 by specifying the date of transmittal of the Five-Year Plan to Congress by the President of the Philippines before or soon after the beginning of a regular session and limiting the membership of the Council to three full-time members on the economic or technical level.

This second recommendation may take care of the objective in recommendation No. 1 above.

3. Creating and making appropriations available annually for an Economic Development Fund to finance the first year program in the approved Five-Year Plan for allocation by the National Economic Council, subject to approval of the President of the Philippines. This parallels the establishment of a Counterpart Fund Special Account for the implementation of the foreign aid program which, together with the prospective proceeds from reparations and other foreign aid, should be lumped with the Economic Development Fund for better coordination and effective implementation of approved program components in order to achieve in a more coordinated fashion the Plan's production and employment goals.

The establishment of an Economic Development Fund will insure the smooth and speedy implementation of the first year public expenditure program embodied in the Five-Year Plan as approved by Congress.

4. The Coordination of Program Execution (Evaluation) Branch in the Office of Foreign Aid Coordination, NEC, should be elevated to the status of an Office of Program Evaluation in the National Economic Council to expand its present coverage which is limited to only foreign aid projects and to assume wider functions and a broader responsibility. Findings from overall evaluation will supply the Office of National Planning with implementary experience (problems, performance, and bottlenecks in the implementation of programs) necessary to the rational formulation of policies, measures, and projects as components of a more practicable and realistic development plan. Likewise, it can coordinate the evaluation functions of the evaluation units to be organized through Presidential action in the different agencies. This will call for an amendment of Reorganization Plan No. 10, and should, therefore, be treated as part of suggestion No. 2 above.

5. The present rate of interest on government bonds should be re-examined in order to make them more attractive to investors, and enactment of amendatory legislation that may thereby be needed.

6. The public expenditure program will have to be implemented by providing funds in order to achieve the goals set forth in the plan. The first year of the financial plan by type and category calls for enactment of laws making funds available therefor. However, it will be noted that recommendation No. 3 above suggesting the establishment of an Economic Development Fund will offset any possible delay in the consideration and implementation of program components embodied in the Five-Year Program, which requires prior approval by the President and the Congress of the Philippines.

B. *Specific Recommendations*:

*Agriculture, Forestry, and Fisheries*

1. Amendment of R.A. No. 1392 to extend the period of the privilege to export ramie fiber for processing abroad and reshipment of the finished products into the Philippines until locally established ramie textile mills reach the level of operating capacity needed to handle all local fiber production.

2. Amendment of the Virginia tobacco price support act to limit the support to the best grades only.

3. An act to provide the general basic cooperative law and to consolidate and amend existing laws on cooperatives in the Philippines with special provisions for given types of cooperatives.

4. Amendment of Section 79 of the General Banking Act to enable the Philippine National Bank to grant long term loans with the first amortization falling due beyond three years after the issuance of the loan.

5. An Act appropriating ₱1,000,000 as a revolving fund to support C.A. No. 340 providing for the establishment of regional slaughterhouses and cold storage plants.

6. Amendment of R.A. No. 309 so as to give the Bureau of Animal Industry a specific and definite amount, say 1%, from the earnings of the Games and Amusements Board from the races for the development of the livestock industry.

7. An Act to transfer the supervision and control including the registration of commercial fishing vessels now exercised by the Bureau of Customs to the Bureau of Fisheries.

8. An act appropriating ₱1,200,000 for the acquisition by the Bureau of Fisheries of tuna vessels and gear to survey fishing grounds for tuna and other pelagic fish species and to train fishermen to acquire skills needed in fishing for these species.

9. An Act to penalize the survey made by any private land surveyor in the public forest without prior authority from the Director of Forestry.

10. An Act empowering the Director of Forestry to dispose of forest products through public bidding.

11. An Act creating a Forest Products Promotion Administration, prescribing its powers, functions and duties and providing funds for the purpose. The objective is to foster a definite shift in the pattern of exportation of forest products, expand the market for processed forest products locally and abroad, and induce diversification in the uses of forest products and residues.

12. An Act to accelerate the delimitation of the permanent forests of the Philippines and to provide funds therefor.

13. An Act providing stable financing for the Forest Products Laboratory.

14. Enactment of a law empowering the Director of Mines to enter into an operating contract, subject to the approval of the Secretary of Agriculture and Natural Resources, for the development, operation and processing of the mineral deposits in the Surigao Mineral Reservation, either fully by private capital, or with government participation.

The income to be derived by the government from this operation shall accrue to the Economic Development Fund being recommended as No. 3 above under "Over-All Recommendations" to Congress after deducting all the necessary expenses incidental to its operation.

*Manufacturing and Mining*

1. Re-channelling of credit available from public financial institutions into long-term industrial development financing for private development on a selective basis.

2. Enactment of a bill providing for government participation with private capital in high priority industrial enterprises with government subscribing to below 50 per cent of the shares of stocks and providing for operation through contracts with competent private management.

3. Revision of the Philippine Tariff Act of 1909 with emphasis on the protection of developing industries as a tool for fostering their healthy growth.

4. Enactment of a bill creating a National Development Authority incorporating the features proposed in Reorganization Plan No. 11.

5. A clarification of the relationship between the Central Bank regarding foreign exchange allocations and the Screening Committee on New and Necessary Industries regarding tax exemption. A closer coordination of these two functions of the government is necessary as an incentive to increased industrial development to avoid any inconsistency of action between the two agencies (dollar allocation and tax-exemption of new and necessary industries), hastening, therefore, the promotion and growth of industries under a more effective tax-incentive program. This will call for an amendment to R.A. 901.

To determine priorities in considering industrial proposals, the Industrial Priority Formula passed by the National Economic Council as Council Resolution No. 90 should be applied.

*Services (Utilities)*

1. An amendment to R.A. 1290, providing for the rehabilitation of the Manila Railroad Cabanatuan Branch, to the effect that the ₱3,800,000 needed for the project be secured from the general funds of the National Government to be appropriated as investment by the purchase of capital stock of the Manila Railroad Co. in lieu of the present provision of the law classifying the said amount as a loan to be taken from bond issues under R.A. 1000.

2. Enactment of a bill exempting the Manila Railroad Company from the payment of taxes on all fuel oil used for motive power on the ground that the trains are running on tracks exclusively owned and maintained by the Company.

3. An amendment to Act No. 3992, otherwise known as the Motor Vehicle Law, to the effect that vehicle registration fees for passenger cars be based on engine horsepower instead of passenger capacity. Furthermore, the present registration fee differential between gasoline and diesel engine units should be eliminated and taxes on diesel fuel raised to rates comparable to gasoline.

4. An amendment to R.A. 1407, otherwise known as the Philippine Overseas Shipping Act of 1955, to provide more specific financing and authorizing the National Development Co. to enter into contracts. The sum of ₱100 million presently provided should preferably be increased.

5. Enactment of a bill to the effect that all harbor fees, berthing charges, storage charges, and the government's share of arrastre charges go into the Port Works Special Fund to be used for improvements of port and harbor facilities.

6. Enactment of a law creating a revolving fund for airway and airport improvements to be derived from revenues collected from fuel taxes, landing fees, parking fees, and other specific fees levied on all users of airway and airport facilities.

7. A re-examination of R.A. 1383, otherwise known as the NAWASA Law, in view of recent court decisions holding that the transfer of assets of municipal waterworks systems to the NAWASA is unconstitutional. A new system of waterworks administration that will achieve the same objectives as R.A. 1383 and which will not prejudice the ownership of established municipal waterworks systems should be studied and adopted.

8. An amendment to existing water rights laws to cover ground water utilization, prevent indiscriminate use thereof, and provide for the most beneficial use of the water for irrigation and municipal and industrial purposes.

### *Trade and Commerce*

1. Re-creation of the Tariff Commission.

2. Broadening of the scope of the law providing for the Filipinization of the retail trade.

3. Amendment of the Retailer's Fund Act to provide more appropriations.

4. More rapid expansion of the Philippine merchant marine, both for overseas and for inter-island operation.

5. Reorganize and expand the personnel and facilities of the Cooperatives Administration Office so as to enable it to give proper assistance in the promotion and organization of non-agricultural cooperatives. At the same time, it should establish close working relations with the ACCFA in encouraging the growth of the cooperative movement.

### *Finance*

1. Amendment of the Rehabilitation Finance Corporation Charter to limit its lending activities to agricultural and industrial enterprises in order to help greatly in the broadening and diversification of the national economy. Real estate financing should be left to other financial institutions.

2. Establishment of a Tax Research Division, staffed by qualified economists and statisticians, in the Department of Finance, to undertake studies on specific tax measures by which public revenues are to be raised to the levels contemplated in the development program and assessing their consequent effect upon economic growth.

3. Creation of a National Assessment Equalization Commission, as one of the tax measures to increase the assessment of real property so as to reflect its full and true market value and improve the institutional machinery for this purpose.

4. Inclusion of a system of accelerated and postponed depreciation of industrial fixed assets in the Income Tax Law.

5. Amendments to the Income Tax Law to provide for deductions from taxable income of the following:

a — Earnings reinvested in undertakings considered as desirable by the government.
b — Premium payments on life insurance.
c — Savings deposited in special medium or long-term accounts.
d — Savings invested in long-term government and private corporate securities.
e — Donations to industrial and/or economic research institutions serving private industry and the general public.

6. Enactment of a bill creating a reparations commission and providing for the implementation of the Reparations Program in line with the proposed guiding principles embodied in appendix 3-05 of the program.

7. Enactment of a law imposing a high tax on foreign travel, on importation of non-essential services like entertainers and foreign movie films, and on products produced by luxury and non-essential types of industries.

*Social Development*

1. Enactment of a bill reorganizing the high school system into the comprehensive school type and providing funds for the maintenance and operation of such schools.

2. Enactment of a bill establishing an Apprenticeship System in the Philippines.

3. Provision of funds with which to establish and maintain additional elementary schools to make possible the enforcement of

the Compulsory Education Act and to accommodate an estimated 17,500 additional yearly entrants into the school system.

4. In the Reorganization of the Department of Education, to consider the following:

- a) Creation of a Division of Teacher Training.
- b) Conversion of the Division of Adult Education into a Division of Fundamental and Adult Education and extension of its program to include vocational, social, cultural, civic and recreational activities.
- c) Establishment of local Boards of Education.
- d) Decentralization of control.
- e) Conversion of the Bureaus of Public and Private Schools into a Bureau of Education to maintain uniform standards for all schools.

5. In the Reorganization of the Department of Health, to provide for the coordination under the Public Health Research Laboratory of all public health laboratories now separately administered by public and private entities and for the regulation and supervision by the government of all private laboratories engaged in activities affecting health.

6. Enactment of a law against (a) stream pollution from industrial waste; and (b) smog, noise, and bad odors coming from industrial and manufacturing activities.

7. Codification of labor laws to remove overlapping and ambiguities, and to insure greater protection and benefits to workers.

### III. *Reccomendations for Action by Various Agencies of the Government*

#### A. *Over-All Recommendations*:

1. Develop the necessary staff for planning and programming the particular activities of the office, as well as for the analysis and evaluation of program performance and problems.

2. Examine present operating and administrative procedures and policies and bring them into line with the policies and objectives prescribed in the development program.

3. Plan and program the activities for each succeeding year along the direction and objectives of the economic development program.

4. Adopt a system of upgrading technical personnel by in-service training and advanced training abroad through the technical assistance programs, including that to be developed under the reparations agreement.

B. *Specific Sectoral Recommendations*:

*Agriculture, Forestry and Fisheries*

1. Expansion of rice and corn improvement, seed multiplication and distribution by the Bureau of Plant Industry and by the Bureau of Agricultural Extension in cooperation with the ACCFA Facomas, agricultural schools and colleges, and the NARIC.

2. Cotton planting by the NDC, using at least ₱1 million a year, on farms belonging to private parties with said parties ultimately running the plantation.

3. Make every effort to ensure close working relations between the agricultural extension service and the Agricultural Credit and Cooperative Financing Administration in the promotion of agricultural cooperatives for production and marketing.

4. Develop plans and programs for more effective research activities in various offices under the Department of Agriculture in close coordination with those of the College of Agriculture and Central Experiment Station at Los Baños and those under R.A. 1606.

5. Intensify the efforts of the Division of Agricultural Economics in the conduct of field surveys, especially in farm management and in the marketing of agricultural products, and establish close cooperation with the College of Agriculture at Los Baños in undertaking further studies and research on agricultural economic problems.

6. Establishment of two (2) abaca decorticating centrals by the ABACORP, using ₱3 million from bond issues for the purpose.

7. Mechanization of experiment stations and nurseries of government institutions.

8. Expansion of the existing storage and warehousing facilities by the NARIC and ACCFA.

9. The NDC should enter into joint ventures with ramie producers and ramie fiber processors but not to the extent of fully financing such ventures.

10. Continuation of the program of the Tobacco Corporation for tobacco development in cooperation with the Bureau of Plant Industry, the ACCFA and the Bureau of Agricultural Extension.

11. Continuation of the public land subdivision and cadastral survey programs of the Bureau of Lands both with funds from the General Appropriation Act and from bond issues.

12. Continuation and coordination of the fertilizer program of the ACCFA and of the Fertilizer Administration.

13. Establishment of more RFC and PNB branches outside Manila and further expansion and liberalization of agricultural credit.

14. Increase of investments by the Central Bank in rural banks.

15. Maintenance and expansion of the land settlement projects of NARRA and EDCOR.

16. Conservation and propagation of purebred breeding and work stock by the Bureau of Animal Industry for later distribution.

17. Accelerate reclassification of public lands by the Bureau of Forestry.

18. Organization of livestock, dairy and marketing cooperatives by ACCFA.

19. Undertake surveys of the offshore - fishing grounds for tuna and other pelagic fish species and train skilled fishermen in their boats in offshore-fishing methods.

20. Undertake fishery biological investigations and oceanographic and limnological surveys.

21. Undertake a fish stocking program for depleted inland waters.

22. Conduct technological researches relative to the development of new techniques in the utlilization of the fishery resources.

23. Undertake extensive demonstration on the improved methods of fishery utilization (fish culture, fish capture, and fish preservation and processing.)

24. Undertake a program of vigorous fishery management and fish conservation including the enforcement of the fishing laws, rules and regulations.

25. Expand the organization of fishery cooperatives by ACCFA.

26. By the Secretary of Agriculture and Natural Resources:
    - a) Issue an administrative order increasing the inspection fee on logs for export from ₱1 to ₱5 per 1,000 bd. ft. and reducing that of lumber from ₱3 to ₱2.
    - b) Issue an administrative order requiring timber licensees in permanent forests to use the selective logging system approved by the Director of Forestry and requiring licensees with forest concessions of 10,000 hectares or more to put up a processing plant, or at least a sawmill.
    - c. Grant long-term (5 to 20 years) timber licenses to qualified parties instead of the present year-to-year licenses.

27. By the Central Bank:
    - a) Grant foreign exchange for the importation of logging machinery and equipment in consultation with the Director of Forestry and within the limits set by conservation requirements.
    - b) Gradually restrict exportation of logs consistent with (a) the expansion of local sawmill, plywood and wood-using industries and their capacity to absorb the quantity withdrawn from export, and (b) the extent foreign markets can absorb our processed wood products.
    - c) Give high priority in exchange allocation for importation of machinery and equipment to sawmilling, plywood and veneer manufacture and other wood processing plants.

28. By the Rehabilitation Finance Corporation (RFC):
    - a) Develop a special financing assistance program for lumbermen going into reforestation of logged over areas for lumbang, matchwood, pulp and paper, etc.

29. By the Bureau of Forestry:
    - a) Require timber licensees in permanent forests to use logging methods leading to sustained-yield management.
    - b) Intensify the sector system of forest protection, particularly against "kaingin" and similar wasteful practices.
    - c) Acceleration of establishment of permanent forests.
    - d) Shift to stumpage system in awarding forestry licenses.
    - e) Zonification of public domain for pastures, fishponds, etc.
    - f) Accelerate the accommodation of landless and forest squatters in tree farms.

g) Undertake a vigorous educational campaign on the need for forest protection, conservation and management.

h) Conversion of communal forests into community woodlands.

i) Strict enforcement of regulations stipulated in timber licenses.

j) Activation of provincial and municipal forestry councils.

*Department of Commerce and Industry*

1. Facilitate the organization of the Bureau of Domestic Commerce, the Bureau of Foreign Trade, and the Bureau of Manufacturing. Simultaneously, the careful selection of competent personnel for the key positions involved and the improvement of their capacity through in-service training programs should be made. These bureaus are indispensable to the primary function of promoting domestic and foreign trade and in giving assistance and stimulus to industrial development.

2. Improve the price reporting service and the dissemination of up-to-date price information as a guide to domestic traders and farmers.

3. Help intensify the efforts toward trade and payments agreements that would lead to expansion of foreign trade by exploring all trade possibilities through the commercial attaches assigned abroad and the sending of trade missions to these countries.

*Department of Finance*

1. Initiate a tax research program with the early organization of a Tax Research Division in the Department to make studies on new sources of revenue, ways and means of improving tax yields under prevailing tax rates, and feasible methods of readjusting present tax rates to obtain maximum revenues.

2. Draw up in consultation with the National Economic Council the necessary tax legislation for submittal to Congress in accordance with the tax proposals recommended by the NEC.

3. Review the grant of tax-exemption privileges and their impact on fiscal policy and on economic development.

4. Undertake steps and measures necessary to realize an increase in government revenues at the rate of at least 15% of the net increment of GNP as shown in the five-year fiscal budget, either through increased tax rates or through an effective tax collection system.

5. Find ways and means of discouraging smuggling by improving such services in the Bureau of Customs and solicit the strong cooperation of the Department of National Defense in this regard.

*Office of Economic Coordination (or National Development Authority if created)*

1. Review the development plans in each of the government-owned corporations and readjust them as much as possible to the direction and objectives of the overall program.

2. Provide for a periodic review and evaluation of the performance of the different organizations under its supervision and control with a view to improving performance along the lines indicated in the economic program.

3. Develop a system of financing and refinancing the government enterprises and provide the necessary stimulus for the development of new or supplementary enterprises under the existing corporations.

4. Study ways and means of improving research facilities in the different government corporations, of upgrading research personnel, and of coordinating their research programs.

*Central Bank and the Banking System*

1. Readjust loan policies to conform to the priority system approved by the National Economic Council in accordance with the economic development program.

2. Help broaden the loan guarantee and time deposit scheme as a means of financing the long-term requirements of development projects, particularly private projects that will utilize reparations goods and services and foreign loans.

3. Develop a rediscounting system that will facilitate and expand the necessary banking and financial assistance to the rural banks and the farmers' cooperatives and pave the way for the development of medium-term or intermediate credit.

4. The Central Bank should liberalize credit control practices to enable commercial banks to undertake a bigger volume of lending to private investors, through the extension of greater advances to commercial banks for relending in types of investments indicated in the program.

5. The allocation of foreign exchange as well as the licensing of imports of all kinds should be governed primarily by the priority

system approved by the National Economic Council, based on the objectives of the economic program.

6. Develop ways and means of expanding production credit to the rural areas as well as of mobilizing savings among the rural population.

7. Evaluate periodically credit and other financial operations in the light of prevailing conditions and needs of the general economy and make necessary recommendations to the National Economic Council.

8. Assist in the development of new markets for primary exports as well as for new products, through appropriate overseas representations, coordinated financial and banking intelligence, and the sending of well-trained bankers or economists for close-hand observations in the principal banking and trade centers abroad.

9. Undertake a more vigorous campaign in developing a securities market.

10. A closer tie-up between dollar allocations for raw materials to industrial enterprises and the dollar allocations made available for the importation of the same or similar substitute products should be effected with a view to reducing imports of commodities which will compete with local produce. The necessity of making an up-to-date survey of local production is highly important if this coordination between imports and local production to protect the latter will be made. Dollar savings realized thereby can then be diverted to other important uses.

*Department of Education*

1. Conduct of a national study on the Filipino child as basis for curriculum development.

2. Conduct national studies on attitudes as basis for formulating education methods and emphasis and revising curricula.

3. General curriculum readjustment to the need for developing more rapidly the attitudes and values recommended in the Five-Year Program.

4. Modification of courses in vocational schools to emphasize the main economic activities and resources of the region and to meet variations of climate, soil, and other conditions as well as to ensure adaptibility and flexibility of training.

5. Enforcement of the Compulsory Education Act.

6. Extension of an effective guidance program within the school.

7. Greater use of locally written and locally printed textbooks

8. A more selective system of admission into teacher training institutions.

9. Unification of administrative direction of educational activities on the provincial and local level.

10. Continuance as well as further enrichment of the community centered school concept.

11. Expand the SWA Family Welfare Program in support of the Compulsory Education Act.

12. Expand the SWA Rehabilitation Services to permit the registration of handicapped children and provide for their training and absorption into the economic system.

*Services (Utilities)*

1. Better enforcement of public utility regulations by the Public Service Commission to prevent injurious competition and assure the public of reasonable, safe and efficient transportation. Likewise, the Public Service Commission should undertake intensive study of the vehicle, service and rate requirements for each region and withhold renewal of temporary certificates of public convenience where adequate facilities are already being provided by the regular operators.

2. Funds to finance the Manila Railroad Company proposed Cagayan Valley extension from San Jose to Tuguegarao as provided under R.A. 470 should be made available as soon as possible either from borrowing or from the General Fund. The Central Bank, RFC, and the Budget Commission should work out a satisfactory financing plan for this project.

3. In the preparation of the highway program, the Bureau of Public Highways should carefully program all top-priority projects that are authorized for bond financing, as well as those to be financed by special appropriations, indicating dates of completion of different phases of the work; the funds needed for each principal operation, and the corresponding cut-off dates. All projects in the program should include detailed economic justification based on careful analysis of all factors concerned, including both benefits and costs, with quantitative data insofar as possible. Likewise, it should make more plans and specifications well in advance for all principal projects that will qualify under the development program to help ensure continuity and volume of investment in public highways.

4. As part of the rural development program, the Bureau of Public Highways should intensify the planning and preparation for an extensive feeder road construction program and should make pro-

visions for the utilization of equipment and materials that may be obtained from reparations or from foreign aid.

5. In planning the water transportation facilities program, the Division of Ports and Harbors should carefully program and evaluate all projects, coordinating them at the same time with the Highway Program. Ports should be located in areas where industrial expansion is developing, where agricultural expansion has occurred and where the best tie with the highway pattern is possible.

6. Funds to finance the expansion of Philippine overseas shipping as provided for under R.A. 1407 should be made available as soon as possible either from borrowing or from the general fund with the Central Bank, RFC, and Budget Commission evolving a satisfactory plan to finance the project.

7. Foreign exchange allocations for transportation equipment and spare parts should be freely granted by the Central Bank to the extent necessary to enable all operators to render the service they are authorized to perform.

8. The Bureau of Telecommunications should complete the plans for a national communications network utilizing reparations and foreign aid grants and loans for its implementation.

9. The Bureau of Public Works should set up a priority system for all public works projects and other permanent public improvements in order to ensure the proper utilization of funds authorized by Congress as well as those available from reparations and foreign aid grants and loans.

10. To contribute to the fullest in the development of rural areas, the National Power Corporation should undertake an overall comprehensive study of the technical, financial and other aspects of rural electrification, prepare a realistic long range program designed to spread the benefits of electricity to the rural population, and give the fullest consideration to the implementation of this program.

11. To achieve optimum development of water resources, the investigation and planning of hydro sites by the National Power Corporation must consider also other uses as irrigation, water-supply, flood control, fisheries, recreation, etc., in order that they can provide much greater benefits to the country as a whole at the least possible total cost.

12. The National Power Corporation should not overlook the possibility of setting up thermal plants using local fuel resources in those areas where hydro power sites are unavailable or uneconomical to develop.

13. The National Waterworks and Sewerage Authority, in the planning and preparation of all waterworks projects required to meet the demands of the economic and social development program, should carefully study all projects indicating dates of completion of different phases of the work, the funds needed for each principal operation, and the corresponding cut-off dates. All projects in the program should include detailed economic justification based on careful analysis of all factors involved, including both benefits and costs, with quantitative data insofar as possible.

*Bureau of Civil Service*

1. The Bureau of Civil Service should enforce more fully functions vested in it by law, especially in the employment of non-eligibles in the presence of eligibles and discarding the seniority rule as a basis for promotion in favor of capacity and performance.

## PART VI—*THE ROLE OF PRIVATE ENTERPRISE*

The successful implementation of the various components of the Five-Year Program lies to a great extent on the role that private enterprise will play. The over-all objective of increasing production and attaining a rising level of employment and better standards of living is determinable and achievable only as the rate and extent of private capital participation and implementation of projects indicated for the private sector to undertake reach the hoped for levels. The rate at which private capital investments will take place, however, depends largely on the nature and stability of public policies that the government will adopt to create that wide range of incentives necessary to establish a favorable climate for increased investments in the country. The tie-up between public and private action and cooperation lies, therefore, in the implementary effectiveness of governmental policies and measures which are directive, promotive, and supportive of economic development by the private sector. In other words, these climate-producing types of governmental policies and projects to stimulate private capital formation may be divided into direct and indirect policies and measures upon which the private sector can rely in making investment decisions. These are:

I. *Direct Measures*

a. Allocation of sufficient foreign exchange to meet essential, high priority private enterprise demands for machinery, equipment and necessary raw materials not yet locally produced.

b. Extension of long-term credit facilities by public financial institutions to essential, high priority enterprises for development by the private sector.

c. Government participation in financing essential private development undertakings through subscription to shares of stocks.

d. A more effective coordination of governmental tax-incentive activities and allocation of foreign exchange.

e. Provision by government of technical assistance and technical services through direct agricultural and industrial consultations with existing agencies and through public industrial promotion activities.

f. Government investments in industries that will supply private enterprise with raw materials (chemicals, iron and steel products, cement, fuel, fertilizer, etc.) should private capital shun the attendant risks or prove inadequate to engage in the production of these raw materials.

g. Government investments in pioneering ventures for subsequent re-sale to private enterprise as soon as the latter should desire to and be capable of taking over.

h. Government investments in industries that will supply the basic needs of private enterprise other than raw materials (power, shipping, etc.)

i. Making available to private banks public credit in the form of time deposits to expand their lending capacity for selected industrial projects calling for long-term financing.

j. Government investments in specific development enterprises included in the Five-Year Program, be it full or participating, are premised on immediate withdrawal should private enterprise show willingness to finance the venture.

k. Consistent implementation of the existing government policy to sell to private enterprise profit-making government industrial corporations as soon as private capital is in a position to take over and the investment of the proceeds in other pioneering ventures.

II. *Indirect Measures*

a. Provision of public works, transportation and communication facilities in support of economic development by the private sector.

b. Provision of public health, educational and manpower training facilities for the improvement of skills.

c. Maintenance of stable peace and order conditions.

d. Assurance of reasonable monetary and price stability, taking into consideration the credit needs of development.

e. Provision of a wide range of incentives through long-range stable public policies on economic development in addition to those mentioned above.

It is to be noted that public policies and measures are indicated in more detail in the preceding Part V. The above list is given only to portray the role that the government assumes, directly and indirectly, in inducing and actively promoting private participation in economic development. It is to be emphasized, however, that the projects intended for private financing only serve as a guide and are merely indicative of the fields desired for development. The vital role that private enterprise will play depends upon private investment decisions, which in turn, will depend upon the influence that public climate-producing policies and projects and government leadership will exert. Thus, Part V of the Five-Year Plan must be implemented to provide private enterprise with the necessary inducements to assure its cooperation and participation in over-all economic development. Private profit-making is the motive power behind business undertakings and the most effective source of capital formation. This effective incentive must be encouraged and safeguarded by the government to a reasonable extent.

This Five-Year Plan indicates a list of projects to which private capital investments can be channeled to advantage. These are types of projects that are deemed desirable, feasible and profitable in terms of existing resources and market possibilities.

It must again be emphasized at this point that individual industries appearing in Appendices 3-02 and 3-03 and hereunder are intended only to indicate possible opportunities for private investment and the levels of investment and production indicated for each are very rough estimates which each actual investor will normally verify and refine. The actual decision as to what investment will be made in what industry must remain the sole prerogative of the private investor. The government's role in giving varying degrees of encouragement to particular industries in order to eventually achieve the desired overall pattern should be actually exercised through application of the proposed priority system (Appendix 3-01) to private applications for foreign exchange, credit, tax-exemption, price supports, etc.

It must ~~be~~ recognized that, in an underdeveloped country like the Philippines, the twin problems of undue investment emphasis on the much more profitable but unproductive activities in import trade, real estate and other speculative efforts and the relatively small reservoir of aggressive enterpreneurship and modern management skills are major deterrents to a more accelerated rate of economic growth. It seems, therefore, necessary that the government exercise more active leadership than would ordinarily be called for without in the least adopting the socialistic and the totalitarian approaches to development.

As a further guide for the private sector to determine the prospective fields of investment, the list of commodity imports by groups (Appendix 6-01) may indicate the degree of the country's dependence on foreign products the initial and gradual substitution of which, depending upon available domestic resources and other factors, may serve as the first step in inducing rapid economic growth.

The table below indicates in summary form the degree and pattern of the country's dependence on imported items in 1955 alone:

IMPORTS BY COMMODITY GROUP FOR 1955

(F.O.B. Value in Thousand Pesos)

| *Commodity Group* | *Total* | *Percent of Total* |
|---|---|---|
| Total . . . . . . . . . . . . . . . . | ₱1,095,211 | 100 |
| 1. Foods | 204,763 | 18.7 |
| 2. Beverages and Tobacco | 31,605 | 2.9 |
| 3. Crude Materials, Inedible, except Fuel | 17,236 | 1.6 |
| 4. Mineral Fuels and Lubricants | 107,657 | 9.8 |
| 5. Chemicals | 87,778 | 8.0 |
| 6. Animal and Vegetable Oils and Fats | 3,174 | 0.3 |
| 7. Manufactured Goods Classified Chiefly by Materials (rubber, leather, wood, textile, etc.) | 382,681 | 34.9 |
| 8. Miscellaneous Manufactured Articles | 48,904 | 4.5 |
| 9. Machinery and Transport Equipment | 208,703 | 19.1 |
| 10. Miscellaneous Transactions and Miscellaneous Commodities | 2,710 | 0.2 |

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Source: Table 24, pp. 223-228, Central Bank Report, 1955.

It will be readily noted in the foregoing table that imports of Manufactured Goods Classified Chiefly by Materials which consist of leather and leather manufactures; rubber manufactures; paper and paper board and manufactures; textile yarns, made-up articles and related products; non-metallic mineral manufactures; silver, platinum, gems and jewelry; base metals; and manufactures of metal top the import list involving an amount of ₱382,681,000 or 34.9 per cent of total imports in 1955. Second in the list are Machinery and Transport Equipment, being 19.1 per cent of total imports, and third are Foods being 18.7 per cent. This list of imports, therefore, clearly establishes the broad areas of investment opportunities in terms of initial and gradual substitution of imports (especially consumer goods and raw materials) with local produce, taking the import commodity value as an indication of the extent of prospective demand and market possibilities. The greater volume of private productive capital will have to be directed towards some of these fields depending upon the volume of readily available resources, levels of technology, and enterpreneurial ability. By and large, the Government can promote the flow of private investments into the desired channels through the policies and measures hereinbefore stated.

In crop production, for example, additional small-scale private investments will be needed in the further expansion of rice, corn and root crops production, and their processing. In fibers, opportunities are wide open in the production of ramie, depending upon the rate at which private enterprise will catch up in ramie decortication and degumming and the manufacture of ramie textiles at costs within the reach of the bulk of consumers.

In the fisheries field, greater prospects are indicated in offshore fishing for tuna, fish canning and fish meal production. In view of the large area of public swampland still available, fishpond development also offers a very lucrative investment field.

In the case of livestock, private investments are indicated in the importation of beef on the hoof to fill the local demand, while additional investments are also desired, simultaneously, in the establishment of cattle ranches. Increasing small-scale private investments will be needed in the production of better quality hogs and poultry. Similarly, the production of poultry and hog feed concentrates is indicated, although its progress will depend entirely upon the rate at which the production of grains will pick up.

In the export field, the prospects lie in the direction of cost-cutting to give Philippine export products a firmer competitive footing in world markets. This may be brought about through the improvement of management techniques and production processes and also through the increasing utilization of principal products, by-products and waste products. The increasing local manufacture of candy and other confectionery and the increasing utilization of bagasse for pulp and paper production, for instance, may help the sugar industry. The same is true with coconut and abaca products and waste products. The further processing of wood products like logs into veneer and plywood offers good possibilities for greater employment and for improving income. Since logs are an important export commodity and offer excellent prospects for processing preparatory to export, exports of quality logs should be restricted to give Philippine plywood a competing chance in world markets.

In manufacturing, greater private investments will be desired in the production of iron and steel, fuel, and basic chemicals. Textile manufacturing through the importation of raw cotton, rayon staple, and the local utilization of ramie offers very good opportunities for investment. Cement, glass and ceramics will need greater investments, so with the smelting and rolling of non-ferrous minerals. But more urgent in terms of essential consumer needs is food and food processing and manufacturing, like fish canning, fish meal production, food processing, cassava and wheat flour processing, and similar fields. The success of food processing, however, is dependent upon the supply of raw materials readily available to it. Paper manufacture for various purposes is another largely undeveloped field.

Similarly, greater investments will be required in the further development of the country's mineral resources like iron, copper, manganese, nickel and chromite, to mention only a few, in which private enterprise will be relied upon solely for their development. The Surigao ore deposits offer a lucrative field for private investment.

In the field of transportation and communications, greater private investments will be needed in the expansion of motor transport, shipping, air transport, and telephone services. The rising tempo in the construction of industrial plants, commercial buildings and residential buildings concomitant to development brings into focus the role of private construction. The need for expansion of Philippine overseas shipping is particularly highlighted by the fact that only 1.68 per cent of our foreign trade was carried in ships of Philippine registry in 1955 and the trend has been downward.

With respect to the induced direction that private investments will take, the application of the Industrial/Priority Formula, together with qualitative factors, can be relied upon to reveal the desirable fields.

A summary of the hoped for levels of investment in major categories to be undertaken by the private sector during the program period is shown in the following table.

### ROUGH ORDERS OF MAGNITUDE FOR HOPED FOR PRIVATE INVESTMENTS BY CATEGORY[1]

1957 — 1961

(In Million Pesos)

| Category | 1957 | 1958 | 1959 | 1960 | 1961 |
|---|---|---|---|---|---|
| Total | 425 | 500 | 645 | 695 | 735 |
| 1. Agriculture, Forestry, Fisheries | 128 | 122 | 113 | 120 | 128 |
| 2. Mining | 52 | 50 | 92 | 104 | 112 |
| 3. Manufacturing | 118 | 201 | 313 | 346 | 371 |
| 4. Private Construction | 80 | 80 | 80 | 80 | 80 |
| 5. Motor Transport | 19 | 19 | 20 | 20 | 20 |
| 6. Shipping | 20 | 20 | 20 | 20 | 20 |
| 7. Air Tansportation | 2 | 2 | 2 | 1 | 1 |
| 8. Communications (P.L.D.T.) | 6 | 6 | 5 | 4 | 3 |

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[1] Estimated non-monetized investments in agriculture and cottage industries not included.

Evidently, the larger volume of private investments will have to be channeled to agriculture, manufacturing and mining in consonance with the objective of gradually substituting consumer and raw materials presently imported with local produce. A substantial volume will also be desired in private construction to go hand in hand with industrial growth due to the expected expansion of industrial plants, commercial construction, and residential housing. Motor, shipping and air transportation will call for a corresponding expansion in view of the expected rise in over-all production and trading activities.

Briefly, Part VI points up the role and responsibility of the private sector, the major segment through which rapid economic growth can be induced in order to achieve the objective of increasing production, rising levels of employment and income and better standards of living for the people, without undue inflationary consequences. Without let-up, all incentives must be provided by the government to the private sector in the form of positive and stable public economic policies and, altogether, public projects that are directly promotive and supportive of economic development by private enterprise.

Under this climate, the private sector is expected to give its full and wholehearted support. The prospective contribution of organized business groups — agricultural, industrial, financial, commercial — can be of strategic importance in taking the lead to popularize the contents, intents and purposes of and benefits to be derived from any approved development plan. They can weld business thinking on the import of long-range plans and help develop among the people a healthy national outlook.

In developed countries, organized businesses contribute to a common research fund for the establishment of private research offices to analyze objectively socio-economic problems for the guidance of all. The Committee on Economic Development and the National Planning Association, to mention only two of those in the United States, may serve as a worthy pattern in this respect. The Government will be only too ready to welcome the results of such objective studies by private institutions to guide it in the formulation of vital economic policies and measures as components of planned development.

While the degree of the required public support to private enterprise is indicated in various parts of the Five-Year Plan, efforts have been exerted to clarify them in Parts V and VI. Presidential and Congressional approval of the Five-Year Plan followed by necessary implementary action, which can be expected to generate the necessary private cooperation and support, provides the key to the successful implementation of planned development in the Philippines.

# SUPPLEMENT

*A Three-Year Production Program — by Senator Jose C. Locsin,*
*Member, National Economic Council*

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# A THREE-YEAR PRODUCTION PROGRAM

By Jose C. Locsin

## CHAPTER I — INTRODUCTION

Under the existing monetary and fiscal policies, coupled with the lack of essential economic information and statistics, it is impractical to propose an over-all program utilizing the investment targets set in the draft Five-Year Program and the past trends of the international payments position highlight the fact that we cannot expect to reach those targets. This situation, together with uncoordinated and unstable implementation of policies under which economic development has to be induced by government, makes me believe that a more specific program, practicable and feasible to undertake both by government and by the private sector, has to be developed. A practicable program is one the components of which answer the basic needs of the greater number of people to whom the benefits and advantages of economic development are addressed, and which will serve to lead towards increasing activity as time goes on and more resources become available. It is one which tackles fundamental economic problems first to achieve the objective of welfare, which, according to our state of social and political development, can only be increased through "material" development. Considering further the limitation of resources — entrepreneurial, capital, and technological — upon which we can evolve a practicable national program of development, the appropriate approach is to indicate and give priority to the fundamental fields of investment that will immediately supply our basic needs and solve our basic problems. Thus, by undertaking projects that within three years can actually contribute to an increase in available goods and services, we shorten the period of sacrifice.

These are the primary considerations in the presentation of this production program.

a. *Nature of the Program* — This proposed production program consists of selected projects which will have to be implemented within a period of three years. The program components are considered basic, the financing of which will have to be undertaken in the following manner:

1. Basic self-liquidating and income-producing projects to be financed by government.
2. Development projects to be financed by private enterprise.
3. Government participation with private enterprise in the financing of development projects.
4. Extension by government of financial assistance to private enterprise for development projects.
5. Government financing of social overhead programs which directly promote and support economic development by the private sector.

b. *Scope and Purpose* — The program components include financing of projects in agriculture, manufacturing, mining, shipping, and public works. It is understood that the program for the private sector is specifically developmental; that is, directly productive. The program, however, for the public sector will have to include both self-liquidating projects and social overhead types of projects in direct support of economic development by the private sector.

The purpose of this program is to indicate definitely the types of projects that the government should finance and the types of projects intended for financing by private enterprise.

In agriculture, the financial program covers projects on crop production, fisheries, livestock, and forestry; measures for the utilization of agricultural products, by-products and waste products; and measures for increasing the production of export crops.

In manufacturing, the indicated projects are iron and steel, dry-docks, chemical industries, fuel, textile, machine tools, etc. This will have to be supported by basic research in industry which has to be financed greatly by public funds.

In mining, emphasis is on coal production and the development by private enterprise of the Surigao nickeliferous deposits.

A program on shipping is also scheduled in order to offset the acute shortage of bottoms both from the domestic and overseas stand-point.

A national power and irrigation program will have to be undertaken in support of industrial and agricultural development; so with the improvement of existing and the construction of new barrio roads in order to facilitate the marketing of agricultural products and induce improvement or development of a wider transportation network.

c. *Summary of Principles* — The guiding principles which govern the formulation of this program and its components are:

I. *Agricultural Development*

1. To achieve self-sufficiency in the production of man's basic needs for food, clothing and shelter.

2. To utilize extensively agricultural products, by-products and waste products as raw materials for processing and manufacturing.

3. To stimulate an increase in the production of agricultural and mineral exports.

II. *Manufacturing and Mining*

1. To produce more of the essential processed and manufactured goods and raw materials as substitutes for the same or similar imports in order to lessen our dependence on foreign sources.

2. To induce the establishment of basic industries, either by government or by private enterprise or as joint ventures.

3. To encourage diversification of the economy on a much wider front, including the more rapid exploitation of our mineral resources.

4. To develop research programs in industries in support of economic development by the private sector.

5. To seize the opportunity that industrialization offers a more effective tool in creating employment opportunities.

d. *Summary of Program Categories and Estimated Investments* — Given hereunder is a summary of public investment estimates necessary to implement this three-year program.

| *Program Category* | *Financial Requirements* (In Millions) |
|---|---|
| Agricultural Development | ₱343.5[a] |
| Manufacturing | 300.2 |
| Mining | 37.8 |
| Shipping | 100.0 |
| Airports and Airways | 25.0 |
| Barrio Roads | 30.0 |
| Power | 208.0 |
| Public Health and Social Welfare | 37.0 |
| Basic and Vocational Education | 18.0 |
| TOTAL | ₱1,099.5 |

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[a] Irrigation included.

The details of the program components are explained in the succeeding chapters.

## CHAPTER II — AGRICULTURAL DEVELOPMENT

The main objective of the program is to increase agricultural production for the purpose of (1) attaining self-sufficiency in food items; (2) producing enough fiber to meet a good portion of the requirements for clothing; and (3) increasing the volume of exports.

To attain these goals the following measures, among others, must be implemented:

a. *On Crops*

1) Establishment of regional seed farms.
2) Expansion of the plant pest and disease control work of the government.
3) Distribution of fertilizers at subsidy prices.
4) Hastening the implementation of the irrigation program of the Bureau of Public Works such that the goals set for a five-year period will be realized in three years.
5) Direct government investment in ramie textile development to the extent of 50 per cent of the capitalization of each of the five (5) firms proposing to establish processing plants. The total estimated financial requirements of these firms amount to ₱37,500,000. (Considered in the manufacturing program but mentioned here as an incentive to private ramie fiber producers.)
6) Providing a ten-centavo per pound subsidy on cotton production so that the plantings in 1957, 1958, and 1959 will be 11,000; 22,000 and 88,000 hectares, respectively.
7) Full implementation of laws governing the development of the abaca, coconut, tobacco, etc., industries.
8) Expansion of the Bureau of Agricultural Extension.
9) Modernization of rice milling.

b. *On Fishery*

1) Development of deep-sea fishing and fish processing.
2) Fishpond development.

c. *On Livestock Production*

1) Intensification of pest and disease control work.
2) Expanded importation of cattle of the beef and dairy

types for the development of large ranches and of the dairy industry.

d. *On Forestry*
  1) Establishment of a Conservation Corps.
  2) Promulgation of definite policies on "kaingin" farming and on squatting on public lands.

e. *On Utilization of Agricultural Products*[1]
  1) Development of household industries using agricultural products as raw materials.
  2) Increase the processing (canning, bottling, etc.) of agricultural products.

### *Establishment of Regional Seed Farms*

The government, particularly the Bureau of Plant Industry, should establish regional seed farms in addition to those that are already in existence. These should be located where certified seeds suited to the soil and climatic conditions of the regions could be best produced for distribution to farmers. The seed farms should also encourage certified seed production by farmer-cooperators so as to hasten the production of sizeable quantities.

Approximately eighteen (18) seed farms are to be established during a three-year period at an estimated cost of about ₱500,000 per farm, or a total of ₱9,000,000.

### *Expansion of Plant Pest and Disease Control*

The government should expand its plant pest and disease control work, using for this purpose the personnel and facilities of the Bureaus of Plant Industry and of Agricultural Extension. For a three-year period ₱9 million (₱3 million a year) should be used for the purchase of insecticides, fungicides, fumigants, other chemicals, dusters, sprayers and other equipment and for the hiring of additional personnel.

Emphasis on control work should be given to major crops such as rice, corn, coconuts, sugar cane, abaca, tobacco, and vegetables.

### *Fertilizer Distribution*

This calls for the active implementation of Republic Act No. 1609. The sale of fertilizers at subsidy prices should be governed by a set of guiding principles that would assure the most effective use of the fertilizers for the greatest benefit of the country. The good that would accrue to the economy out of the expenditure of ₱18 million a year for three years will be only as much as the system of distribution and application would allow. About ₱18 million a year for three years will, therefore, be needed.

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[1] Included in the manufacturing program.

### *Irrigation*

This three-year program, if fully implemented, is estimated to result in the irrigation of 367,000 hectares, or about 122,500 hectares a year. Gravity irrigation projects, pump units and communal irrigation systems are included in this program which must be implemented by the Bureau of Public Works. The program will require ₱149,000,000.

A yearly appropriation of ₱10 million should be included in the General Appropriation Act to pay for the interest and amortization of bond funds used for irrigation projects.

### *Cotton Production Subsidy*

Philippine imports of textile yarns, fabrics and made-up articles amounted to ₱171.7 million in 1954 and ₱170.6 million in 1955. In yards, the 1954 importation of cotton cloth was 140,464,493, or 74.1 per cent of all textile importation. Raw cotton valued at ₱2.2 million and semi-manufactured cotton valued at ₱14.8 million were also imported in 1954. Local production of cotton cloth, on the other hand, was only about 12 million yards and 8.0 million pounds of yarn in 1955 and about 14 million yards of cloth in 1956.

It is, therefore, necessary to encourage cotton production in the country, for which purpose a ten-centavo per pound subsidy should be provided. The total amount needed will be about ₱4.5 million in three years to cover cotton plantings of 11,000 hectares in 1957; 22,000 hectares in 1958 and 88,000 hectares in 1959.

### *Full Implementation of Laws Governing the Development of Abaca, Coconut, Tobacco, Sugar, Etc.*

The activities of the Abaca Corporation of the Philippines must be given full support by other government agencies, especially with regards to releases of funds for its operations, pest and disease control work and the organization of cooperatives among abaca producers.

Likewise, assistance and cooperation must be given to the Philippine Coconut Administration, Philippine Tobacco Administration, and the Philippine Sugar Institute.

The price support for rice, the onion and garlic program of the ACCFA, and the tobacco purchasing program should be continued. In the case of the Virginia leaf tobacco program, support should be limited to the higher quality grades only. The ACCFA, however, should not be given any additional burden, other than what it has already programmed, and the task of distribution mentioned in this plan.

### *Expansion of the Bureau of Agricultural Extension*

The demonstration and services program of the Bureau of Agricultural Extension should be enlarged with particular emphasis on more extensive poultry and livestock immunization work. Additional personnel, if necessary, should be recruited provided these are well-trained in plant and animal pest and disease control work.

This will require ₱1,865,000 during the first year and about ₱1 million for each of the succeeding two years, or a total of ₱3,865,000 in three years.

### *Modernization of Rice Milling*

In many barrios considerable labor is being wasted in the use of the antiquated pestle and mortar for pounding rice. To make possible the utilization of the farmers' labor on more productive jobs, ₱1,500,000 a year for three years should be made available for the purchase of modern rice mills of sizes suited to the needs of barrios and municipalities to which said mills should be sold.

### *Deep-Sea Fishing and Fish Processing*

The amount of ₱10 million a year for three (3) consecutive years should be made available from the reparation payments of Japan for the development of the deep-sea and offshore fisheries.

This amount is proposed to be used in the acquisition of boats and gear and other fishing equipment including a floating cannery and for operational expenses in exploiting the deep-sea and offshore resources of the Philippines including the adjacent international waters which are practically untapped. The government should initiate this project for later sale to private parties when these are ready to take over.

### *Fishpond Development*

The amount of ₱2,000,000 should be used to guarantee loans for fishpond development extended to fishpond operators by banks and other financing institutions. The RFC, under its fishpond financing program, grants loans to fishpond operators at the rate of ₱800 a hectare but not exceeding 25 hectares. This loan per hectare is believed insufficient and should be increased to at least ₱1,200 per hectare.

Complementary to the development of fishponds, more fish breeding stations should be established and maintained. Oyster farming should also be expanded. For these purposes ₱1 million should be made available.

### *Intensification of Animal Pest and Disease Control Work*

The control and eradication of animal pests and diseases has been a yearly activity of the Bureau of Animal Industry but for lack of funds and personnel to carry on the work systematically and methodically, the livestock population of the country is still unduly exposed to ravages of pests and diseases. When rinderpest was still rampant, and when it was killing carabaos and cattle at a very fast rate, a systematic campaign against the disease was undertaken. It did not take long for the country to be rid of this malady. This was made possible by making available to the Bureau of Animal Industry the necessary appropriation it needed for actual field work — the mass immunization against the disease of all susceptible animals throughout the country.

The Bureau of Animal Industry is presently undertaking a program of tests and immunization of animals aimed at eradicating pests and diseases but it can not, for lack of funds, do the work on a country-wide scale. Funds, therefore, should be made available for (1) intensive research on parasitic, bacterial and virus diseases; (2) testing animals against brucellosis, tuberculosis, etc. and mass immunization against prevailing diseases — hemorrhagic septicemia, anthrax, hog cholera, swine plague, avian pest, etc., to be undertaken thoughout the country; and (3) the purchase and/or manufacture of biologics for immunization work, etc. The amount of ₱600,000 for a three-year period for this project is needed. Actual field disease control work is to be done cooperatively by the Bureau of Animal Industry and the Bureau of Agricultural Extension.

### *Importation of Beef and Diary Cattle for Large Ranches*

Very few of the pre-war ranches have so far been rehabilitated. On the other hand several new ranches have been opened. But for the dearth of good foundation stock, more ranches could have been established. Local stock may be available to start a cattle ranch but it will take years to produce quality animals.

In the case of dairy farming, it is regretted that no satisfactory dairy animals can be had in quantity locally. While the Bureau of Animal Industry imported purebred animals during the past years, the stock available for sale is hardly sufficient to meet the demand. It is, therefore, necessary that more improved animals, particularly of the dairy type, should be imported for the establishment of government dairy farms in strategic places of the country. These dairy farms should be sold to private parties when they are willing to take over. About ₱5 million for the first year, ₱3 million for the second year and ₱2 million for the third year, or a total of ₱10 million for three years will be needed for this program, to be divided as follows:

| | |
|---|---|
| *1st Year* | ₱5,000,000 |
| Beef cattle | 3,000,000 |
| Dairy cattle | 2,000,000 |
| *2nd Year* | ₱3,000,000 |
| Beef cattle | 2,000,000 |
| Dairy cattle | 1,000,000 |
| *3rd Year* | ₱2,000,000 |
| Beef cattle | 1,000,000 |
| Dairy cattle | 1,000,000 |

The above figures may be doubled if adequate quantities of stock are available for purchase abroad. The Bureau of Animal Industry, however, should provide adequate quarantine and other precautionary facilities to insure safety of the stock.

This project is aimed at developing self-sufficiency in meat and dairy products.

### *Establishment of a Conservation Corps*

A Conservation Corps patterned after the Civilian Conservation Corps (CCC) of the United States during the thirties should be established and for which ₱12 million a year for three years should be provided. The objectives are to: (a) create job opportunities for the youth; (b) afford vocational training to the enrollees; and (c) undertake urgently needed reforestation and soil conservation work.

Unmarried, unemployed young men from 18 to 20 years old who have completed at least an elementary education should be recruited and employed for at least six months but not exceeding two years in reforestation and soil conservation projects. Enrollees are to be provided subsistence, quarters, clothing, medical attention, transportation and a monthly base pay. The Corps is proposed to be managed by a Project Director, assisted by a full-time staff drawn from the Bureau of Forestry, Bureau of Soil Conservation, the Department of Education and the Armed Forces of the Philippines. The specific projects to be undertaken by the corps should be so located and planned as to bring about control of soil erosion and floods and improvement and development of land use. Such projects are to be generally undertaken on lands of the public domain.

### *Definite Policies on "Kaingin" Farming and Squatting on Public Lands*

There is a general attitude of indifference to squatting on forest lands and vacillating enforcement of forest protection laws resulting in rampant "kaingin" making and squatting on forest areas. To control this, it is necessary that:

(a) the permanent forests be established at once and their boundary lines clearly marked;

(b) classification and release of agricultural lands be expedited to accommodate settlers and the landless;

(c) "kaingineros," forest squatters and prospective settlers should be accommodated in the agricultural lands. Squatters should be given a chance to replant areas actually occupied by them with permanent tree crops under tree farm leases with a condition that they will not enlarge their clearings thereafter;

(d) the "kaingin" laws should be strictly enforced, making it unlawful to enter upon, clear or occupy any public forest, timberland, communal forest and forest reserve without written permission from the Bureau of Forestry, or to cause any damage to the timber and other forest growth.

## *PRODUCTION FOR DOMESTIC CONSUMPTION AND THE PATTERN OF COMMODITY DISTRIBUTION*

In 1954, the Philippines produced 8,703,300 metric tons of agricultural commodities and in 1955 8,882,800 metric tons. Notwithstanding this production, the Philippines imported in 1954, 331,882 metric tons of agricultural products and preparations therefrom. In 1955, the importation increased to 502,213 metric tons (See Table I).

From Table I, it may be seen that rice, corn (starch and canned), tapioca and cassava starch, fruits (fresh, canned, dried, including fruit juices, soups, sauces, etc.), vegetables (dried and fresh), onions, Irish potatoes, beans and peas, coffee, cacao, peanuts, candies and other sugar preparations, cigarettes and tobacco, cotton, jute, rubber, meat and dairy products, and fish and fish products have been imported in sizeable quantities. Domestic production should be promoted to supplant importation of commodities that can be produced locally.

### *Speeded up Food Production*

The intensification of production efforts of such annual crops as rice, corn, root crops, vegetables, onions, beans and peanuts can, within a short time, provide quantities of foodstuffs sufficient to reduce the importation of food items. The intensification of production can be made possible by more direct participation of the government in such activities as pest and disease control, distribution of fertilizers at subsidy prices, expeditious construction of irrigation systems, extensive distribution and use of high-yielding seeds and other planting materials, construction of warehousing and storage facilities, expansion and liberalization of agricultural credit, construction of farm-to-market roads and a faster rate of organization of farmers' cooperatives. The price support program for rice and corn if expanded to include other food crops, even on a temporary basis, will boost production. Food production campaigns such as those undertaken in the past can add to the supply of fresh vegetables and root crops.

In animal production, measures which produce results within a short period such as: extensive backyard raising for milk of carabaos, cattle and goats; systematic and methodical control on the national scale of poultry and livestock diseases by the government; expansion, also by the government, of hatcheries which should sell chicks at subsidy rates; putting up by private parties of backyard poultry and swine projects. In addition, measures whose effects will be felt after a longer time should also be initiated. These should include: importation of breeding animals in large numbers for the livestock dispersal program and government farms; enforcement of the law banning slaughter of female animals; intensification of artificial insemination work; rehabilitation of government stock farms and breeding stations; encouragement of the growth of poultry and dairy cooperatives; and expansion of credit for animal production ventures.

Fish production can be expanded by implementing the following projects:

a) Expanded production of fresh and processed (salted, dried canned, etc.) fish from the continental shelf and swamplands by (1) the expansion of fleets of private fishing boats and by exploiting the fishery resources not as yet touched; (2) development of fishponds on the extensive and intensive basis through private financing and assistance from government lending institutions; and (3) increasing the productivity of the depleted fishery resources of coastal and inland waters through proper management and conservation.

(b) Expanded deep-sea fishing for tuna and other pelagic (surface) species such as sardines, mackerel, marlin etc., through (1) active government participation in private ventures whereby, say, the National Development Company purchases boats and gear, hires the necessary Japanese or other foreign fishing technicians assisted by Filipino fishermen engaged actively in fishing; and (2) allowing local fishing companies to enter into joint ventures with Japanese or other expert foreign fishing firms to exploit the offshore and sea resources of the Philippines under terms beneficial to the country.

c) Establishment of fish refrigeration units.

d) Expansion of oyster farms.

Expanded fish production may result in the development of the fish canning industry, thereby making fish and fish products available to consumers even during lean-fishing months.

e) Rigid enforcement of fishing laws, rules and regulations.

Act 4003, otherwise known as the "Fisheries Act," and the Fisheries Administrative Orders promulgated by the Secretary of Agriculture and Natural Resources in accordance with said Act, embody the laws, rules, and regulations governing the exploitation and development of the fishery resources. These have to be enforced rigidly in order to ensure sustained maximum fish production. Particular attention should be given to the rigid enforcement of the prohibition against the use of explosives and obnoxious or poisonous substances in fishing, protection of fry or fish eggs, and regulations establishing closed seasons for fishing, closed areas, limitations in the use of certain types of fishing gear, and minimum size limits of fish to be caught.

### *Production of Food Substitutes*

*Cassava flour.*—Should there be reduction in wheat flour importation, cassava flour consumption will increase. Existing mills can easily expand their production and new mills can be established just as soon as a sound market for the product is in existence. Cassava flour can be used extensively in cookies production.

*Coconut flour.*—The new process of extracting oil with the use of the Hiller machine results in the production of coconut flour fit for human consumption. However, as in the case of cassava flour, a campaign must be waged to develop consumers' liking for bread made out of a mixture of this product and wheat flour. The nutritive value of coconut flour as analyzed by the Institute of Nutrition compares favorably with those of wheat and rice flour.

*Rice flour.*—This can easily be produced for more expanded production of native preparations such as "puto'," "bibingka," "suman," etc. Importation of rice and rice preparations should be banned.

*Corn starch.*—Local production can be expanded in the absence of competition from foreign-made starch. An added advantage arising out of more extensive corn starch production is the production of corn gluten, an excellent animal feed. Importation of this product should be banned.

*Wheat.*—Research on the acclimatization of wheat may result in the production of quantities sufficient to meet local requirements.

*Tapioca.*—This product is being imported even if it can easily be produced in the Philippines from cassava flour. Another local product that can replace tapioca is a cassava preparation termed in Tagalog "gaplek." To increase local production, importation of cassava preparations and other similar items should be banned.

*Rimas flour.*—This is a flour from a breadfruit. The College of Agriculture has demonstrated the qualities of cookies prepared from this product. It has also been found to mix well with wheat flour for the baking of bread. The supply of the product, however, is limited.

*Vinegar.*—Vinegar production from coconut and nipa sap and from sugarcane juice can be expanded to replace any amount of imported vinegar. Bottling of this product may be done extensively.

*Confectioneries.*—In the absence of imported candies, local production of substitutes will automatically increase. The industry can be an outlet for sugar, corn, peanut, cacao, coconut and pili, cashew, and other nuts.

*Peanut oil and peanut butter.*—Importation of these commodities may now be entirely cut. Local production can easily replace the quantities being imported.

*Soy and other vegetable sauces.*—Our soybean production has not expanded as it should presumably because of the continued importation of soybean itself, soy extracts, and other soybean preparations. With the limitation or complete absence of imported soybeans and soybean preparations, local soybean production can easily be expanded to produce all the necessary quantities required for soy and other soybean products manufacture. Local production of catsup, chili sauce, and other fruit and vegetable preparations, in the presence of a stable market, will invariably rise. Soybean milk production should be studied more thoroughly to improve quality and to possibly increase the bulk of production.

*Patis and bagoong.*—The consumption of these products will increase if the competing meat and fish sauces now being imported are removed from the market. It is believed that producers of these commodities can easily increase their output, especially with the proposed expansion of the fishing industry.

*Oleo-margarine.*—The output of local manufacturers of this commodity has been limited to the quantity sufficient to meet the presently modest local demand. With butter and foreign-made butter substitutes absent or available in very limited quantities, oleomargarine production can be expected to increase.

### *Other Agricultural Substitute Products*

*Tobacco.*—Leaf tobacco importation can ultimately be supplanted by local production with the continuation of the price support program for Virginia leaf tobacco. The Virginia leaf tobacco production in 1956, if not that it required aging, already exceeded the cigarette manufacture requirement for the year.

*Lumbang and castor oil.*—Large scale planting of lumbang and castor bean can easily result in the production of more drying oil for paint manufacture and for medicinal and other purposes.

*Cotton.*—Importation of cotton must have to go on if we must assure the continued operation of our established spinning mills, until we have developed local cotton growing sufficiently. The expected production of the cotton project in Mindanao, if successful, will reduce cotton importation. Local production of cotton should easly result in the local manufacture of cotton seed oil which can substitute for similar imported oil.

*Ramie.*—Favorable soil and climatic conditions exist for this crop. Production will increase just as soon as the textile mills to process the fibers are established.

*Jute and other fibers.*—Agronomic research on these fiber crops should be expanded as these are sources of substitutes for a variety of imported commodities.

### *Recommended System of Distribution*

The ACCFA may be given the task of administering the overall distribution of foodstuffs with the NAMARCO, SWA, and the Bureau of Agricultural Extension cooperating. The farmers' coperative associations of the ACCFA which are scattered all over the country can be potent agencies in the distribution of foodstuffs. Distribution to indigents can easily be handled by field officials of the SWA. The Bureau of Agricultural Exension, which has offices in every provincial capital and which has agriculturists stationed in municipalities, can also assist in the distribution.

If distribution is to be on a nation-wide scale, it appears necessary to organize a procurement agency that should be financed by the government. Unless products are bought and handled in bulk, distribution costs may become so prohibitive as to negate the objective of making substitute products and other foodstuffs available to consumers without unnecessarily burdening them with high prices. Such agency may also be the ACCFA.

The ACCFA should designate its provincial directors as purchasing and distributing agents who should utilize FACOMA warehouses for storage purposes. FACOMAS should serve as distributors in their districts. The personnel of the NAMARCO, SWA, and the Bureau of Agricultural Extension should merely act as agents in areas designated by ACCFA, with the NAMARCO using its regular distributors who should supply the retailers assigned to them. The Bureau of Agricultural Extension agents should supply qualified retailers not affiliated with the NAMARCO.

In such a setup, consumers in areas where there are FACOMAS will be served by these associations; in areas where FACOMAS are not in existence but where there are NAMARCO distributors, the consumers will be able to obtain commodities from NAMARCO retailers; in communities where only agricultural extension agents are handling distribution, consumers will be served by designated retailers; and indigents will receive service directly from SWA field personnel.

The above proposed organization is in addition to the normal marketing activities performed by private traders.

## Table I

# PRODUCTION AND IMPORTATION OF AGRICULTURAL PRODUCTS

1954 and 1955

(In Metric Tons)

| Products | 1954 |  | 1955 |  |
|---|---|---|---|---|
|  | Production | Importation | Production | Importation |
| Farm Crops: | 8,703,300 | 331,882 | 8,882,800 | 502,213 |
| Rice (palay) | 3,182,400 | 65,580[a] | 3,202,900 | 162,080[a] |
| Corn | 780,900 | 2,569[b] | 770,100 | 230 |
| Fruits and nuts | 600,200 | 13,190 | 625,600 | 12,605 |
| Root crops | 1,180,000 | 394[c] | 1,200,000 | 179[c] |
| Vegetables exportation onions and potatoes | 161,000 | 6,471[d] | 164,200 | 6,034[d] |
| Onions | 9,100 | 3,277 | 12,500 | 2,784 |
| Irish potatoes | 7,200 | 611 | 6,700 | 679 |
| Beans and peas | 39,000 | 5,188 | 40,000 | 8,514 |
| Coffee | 6,100 | 1,650 | 7,000 | 2,398 |
| Cacao | 1,400 | 646 | 1,500 | 2,129 |
| Peanuts | 17,500 | 3 | 17,600 | 25 |
| All other food crops | 4,500 | 201,010[e] | 4,700 | 258,889[e] |
| Copra | 942,000 | — | 1,101,900 | 48 |
| Sugar | 1,352,000 | 4,530[f] | 1,304,400 | 5,640[f] |
| Tobacco | 27,500 | 7,478 | 30,000 | 11,741 |
| Cotton | — | 5,906 | — | 7,142 |
| Jute and other fibers | — | 4,731 | — | 3,474 |
| Rubber, crude | 1,000 | 78 | 1,200 | 8 |
| All others | 391,500[g] | 8,564[h] | 391,500[g] | 17,614[h] |
| Meat and meat products | 180,000 | 11,332 | 200,900 | 13,841 |
| Milk and dairy products | 5,800 | 71,497 | 6,000 | 88,338 |
| Fish and fish products | 343,625 | 26,345 | 362,927 | 50,286 |

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[a] Converted into palay equivalent.

[b] Includes corn starch and canned corn.

[c] Tapioca or cassava starch.

[d] Includes fresh, canned, dried vegetables and vegetable preparations like tomato juice, pickles, soups, sauces, vinegar and yeast.

[e] Includes other grains and preparations, vegetable fats and oils, tea and spices.

[f] Includes glucose, molasses, syrups, refined sugar, candies, confectionery, ice cream mix, chewing gums, and honey.

[g] Includes desiccated coconut, abaca, ramie, maguey, kapok, cotton and molasses.

[h] Includes fodder and feeds; gums, resins, oils and vegetable waxes; seeds and nursery stock.

## *MEASURES FOR INCREASING EXPORTS*

### *Crop Products*

### *For Coconut (Copra), Coconut Oil and Desiccated Coconut*

1. *Increasing exports:*
   - a. Lowering of the cost of production by:
     - 1) Expansion by the government of the pest and disease control work and intensification of the researches along this line with emphasis on "Kadang-kadang" disease;
     - 2) Use of better plantation management techniques, including cover-cropping, fertilization and intermittent plowing of plantations;
     - 3) More extensive use of modern copra driers and centrals;
     - 4) More extensive use of the Hiller Machine if its operation during the last few months definitely established its worthiness;
     - 5) Improving roads from production areas to shipping points; and
     - 6) Modernizing handling facilities to allow movement in bulk.
   - b. Replacement of old trees and expansion of the coconut area.
   - c. Provision by government lending institutions including the PHILCOA of adequate credit to coconut planters.
   - d. Negotiating trade agreements with other countries to widen our copra, coconut oil, and desiccated coconut market. Triangular barter arrangements may be resorted to.
2. *Increasing utilization of wastes and by-products*
   - a. Commercial production of wallboards from coconut coir;
   - b. Expansion of vinegar production from coconut milk and sap;
   - c. Expansion of confectionery plants using coconut products;
   - d. Expansion of home industries producing decorative materials such as handbags, etc., from coconut shells, midribs and "guinit";
   - e. Expanded use of coconut flour that may be produced by the Hiller Machines; and
   - f. Expanded processing and distribution of copra meal for animal feeds.

*For Abaca*

1. *Increasing exports:*
   a. Lowering of the cost of production by:
      1) Expansion of the abaca mosaic control work and other disease control work by the government and private planters;
      2) Use of disease-free planting materials;
      3) Application of improved methods of culture;
      4) Modernization of the methods of stripping by replacing the antiquated stripping knives with modern strippers and decorticating centrals.

   b. Provision of adequate credit to abaca planters by the PNB, RFC, Rural Banks and the ABACORP.
   c. Expansion of abaca plantations.
   d. Negotiating trade agreements with other countries.
2. *Increasing utilization of wastes and by-products:*
   a. Development of the use of stripping wastes for the manufacture of paper.
   b. Expansion of home industries producing decorative baskets, mats, handbags, etc., from abaca fiber.

*For Rope and Twine*

1. *Increasing exports:*
   a. Expansion of existing cordage plants and establishment of new ones to increase the rope and twine output of the country.
   b. Negotiating trade agreements with other countries.

*For Pineapple*

1. *Increasing exports:*
   a. Expansion of pineapple planting for local consumption.
   b. Extensive use of modern plantation management techniques.
   c. Expansion of the pest and disease control work both by the government and private parties.
2. *Increasing utilization of wastes and by-products:*
   a) Conversion of wastes from the manufacture of canned pineapple into fertilizers and animal feeds.
   b. Development of small canning factories to increase the supply for domestic consumption.

c. Research on the utilization of fiber for manufacture into clothing materials, etc.

*For Sugar*

1. *Increasing exports:*
    a. Reducing cost of production by:
        1) Expansion of pest and disease control work by the government and private planters;
        2) Extensive use of fertilizers and modern methods of culture;
        3) Improvement of handling facilities from sugar centrals to points of shipment. Bulk handling should be resorted to;
        4) Planting of high-yielding and disease-free varieties; and
        5) Improvement of the efficiency of milling facilities.
2. *Increasing utilization of wastes and by-products:*
    a. Expansion of confectionery industries;
    b. More extensive use of bagasse for production of paper pulp through the establishment of three (3) units of a paper pulp factory with an annual capacity of 20,000 tons each, or a total of 60,000 tons a year;
    c. Research on, and expansion of, the production of wallboard from bagasse;
    d. Improvement of the handling and distribution of molasses such that it could be used more extensively for animal feeds all over the country;
    e. Use of alcohol-gasoline mixture for motor vehicle fuel must be encouraged;
    f. Expansion of the production of vinegar from sugarcane juice;
    g. Improvement of the local marketing system of sugar.
    h. Production and canning of sugar cane juice as a drink; and
    i. Improvement of rum for export.

*For Tobacco*

1. *Increasing exports:*
    a. Lowering of costs of production by:
        1) Extensive pest and disease control work;
        2) Mechanization of tobacco farms;

        3) More extensive use of flue-curing barns and redrying plants; and
        4) Planting of high-yielding varieties and putting emphasis on the production of high-quality tobacco.
    b. Negotiating trade agreements with other countries to include, if necessary, barter arrangements.
    c. Mechanization of the cigar industry.
    d. Undertaking cigar trade promotion with the U S. and other countries. Low-cost Cuban and Puerto Rican cigars have taken away the prewar U.S. market for Philippine cigars.
2. *Increasing utilization of wastes and by-products:*
    a. Use of tobacco scrap for the manufacture of insecticides and other preparations.

*For Ramie*

1. *Increasing exports:*
    a. Expansion of the decorticating and degumming facilities.
    b. Establishment of integrated ramie textile mills.
    c. Expansion of ramie plantings.
    d. Lowering the costs of production by:
        1) Planting high-yielding varieties; and
        2) Using improved cultural techniques and proper pest and disease control measures.
    e. Expansion of agronomic and fiber research to increase the yield per hectare and to develop more efficient methods of processing aimed at improving the quality of the finished ramie cloth.
    f. Continuation of the processing arrangements with Japan until such time when integrated ramie textile mills shall have been established and in operation.

*For other Fibers*

Research including acclimatization on jute and other fibers may result in the production not only for local consumption but also for export.

*For Rubber*

While the Philippines has been exporting natural rubber during the past years, such exportation may be discontinued as a result of the establishment in the country of new rubber companies the requirements of which, for the present, exceed local production. When local requirements shall have been satisfied, however, exportation may be resumed through further expansion of acreage for rubber and by planting high-yielding clones. Modernization of the curing and drying techniques will also help in the development of an export trade. Caution must, however, be exercised as synthetic rubber production, specially in the United States, remains a formidable competitor against natural rubber.

*For Peanuts*

1. *Increasing exports:*
   a. Expansion of acreage [illegible] peanuts.
   b. Use of modern cultural techniques including such measures as pest and disease control, fertilization, inter-cropping, and crop rotation.
   c. Planting of high-yielding, good quality varieties.
   d. Negotiating trade agreements with other countries which may include barter arrangements.
2. *Increasing utilization of peanuts:*
   a. Expansion of the salted peanut industry, including canning.
   b. Expansion of the confectionery industry using peanuts.
   c. Establishment of more peanut butter and peanut oil manufacturing plants.
   d. Research on the utilization of peanuts in the manufacture of plastic and other commercial preparations.

*Other Fruits*

1. *Increasing exports:*
   a. Negotiating with the Japanese and U.S. governments so that Philippine fruits can enter those countries under their plant quarantine rules and regulations.
   b. Banning of the importation of fruits.
   c. Reducing cost of production by application of modern cultural techniques.
   d. Expanding the planting of fruit trees and intensifying pest and disease control work.
   e. Use of better grading, processing and packing methods.
   f. Expansion of credit for orcharding.

## *Forest Products*

A. *Measures for development of export products:*

1. *Lumber, plywood and veneer, etc.*

   1) Granting of liberal credit facilities, especially from government financing institutions, for the expansion of existing wood processing plants or the establishment of new ones;
   2) Granting of needed foreign exchange for the purchase of machinery, equipment and accessories for wood processing plants;
   3) Reduce through a Forestry Administrative Order the inspection fee on lumber from ₱3.00 to ₱2.00 per 1000 bd. ft., and increase that on logs from ₱1.00 to ₱5.00;
   4) Improve and standardize the quality of our export products by more rigid enforcement of grading rules, use of better equipment and improving of labor skills;
   5) The Forest Products Laboratory should be made to pursue an aggressive research program to develop improved manufacturing techniques;
   6) Gradually restrict log exportation to Japan so as to lessen the competition being met by our lumber and plywood abroad from Japanese products manufactured from Philippine woods;
   7) Build up a fleet of cargo vessels for shipping Philippine export products;
   8) Create and finance a Forest Products Promotion Corporation to promote the effective merchandizing of lumber, plywood, etc., especially abroad.
   9) Rigid enforcement of logging and utilization rules. The following existing regulations should be strictly enforced:
      (a) In permanent forests, a selective logging system approved by the Director of Forestry shall be followed on concessions having an area each of 10,000 hectares or more;
      (b) The acceptance of compensation or royalty by a licensee from another party for cutting timber or gathering of forest products in his area shall be penalized by cancellation of the license;

(c) To prevent undue damage to forests, the use of tractors or engines of more than 150 horse-power for logging is prohibited;

(d) All merchantable standing trees unnecessarily injured within permanent forest lands shall be paid for at regular forest charges and those which are below the diameter limit shall be paid for at double the forest charges;

(e) Tapping of almaciga trees for resin shall not reach the cambium layer nor be more than 40 cms. wide, and shall at least be 60 cms. apart horizontally;

(f) Minimum diameter limit for bacauan, tangal, langarai, pototan, and pagatpat is 10 centimeters;

(g) Cutting down or unnecessarily damaging trees in collecting resins, gutta-percha, gums, wood oils or similar forest products would be sufficient cause for cancelling a license and trees so damaged shall be paid for at four times the regular rate.

2. *Resins, gums, rattan and other secondary products*

1) The Bureau of Forestry should start an inventory of the various secondary forest products, especially of rattan and almaciga, to determine the available quantities of each and the safe amounts that can be exported after meeting local requirements;

2) The Forest Products Laboratory should undertake a research program aimed at improving the method of collecting and extracting almaciga, elemi, gutta-percha, oils, etc., work out the proper seasoning schedule for rattan poles and develop preservative treatments to prevent sapstain and borer infestation;

3) The Bureau of Commerce should undertake a more rigid inspection of export products for the purpose of improving and maintaining the quality of our exports;

4) The Bureau of Forestry should supervise more adequately the operations of licensees and collectors of minor forest products to prevent undue destruction and wastes.

B. *Measures for increasing utilization of wood wastes and by-products*:

1. Granting tax exemption, liberal credit facilities, including preferential consideration in foreign exchange allocations,

to industries that will; (a) use for raw materials tree species and other products of the forests not at all or not fully utilized at present, such as those that could be used in manufacture of pencils, matches, containers, athletic equipment, cooperage, agricultural implements, pulp and paper, etc., (b) bring about the conversion of sawdust, slabs and other sawmill and logging wastes into insulation and hardboard, metallurgical charcoal, plastics, pulp and paper, etc.; (c) put up accessories to logging and sawmilling operations like planing mills, flooring machines, drying kilns, wood preserving and fireproofing plants, etc.;

2. The Forest Products Laboratory should assist wood processors in solving their technical problems, study the improved utilization of fibrous plants, bamboo, barks, dye and tanning plants, etc.

### *Fisheries*

A. *Measures for increasing exports*:

1. *Raw shell and shell products*
   - a. Organization of the shell gatherers into cooperative associations and giving price support on the shells produced.
   - b. Introduction of better methods of gathering shells with the use of diving equipment.
   - c. Granting liberal credit to shell divers to acquire the facilities for shell diving.
   - d. Have our foreign offices abroad explore the world market for better prices for Philippine shells and shell products.
2. *Exports of other minor sea products — sponges, sea snake skin, turtle shells and eggs, etc.*
   - a. Organizing the producers into cooperative associations and giving price support for the products.
   - b. Granting liberal credits to producers.
   - c. Introduction of better methods of processing the products to improve quality.
   - d. Have our foreign offices abroad explore markets for better prices for those products.
3. *Fish exports*
   - (1) Development of export trade for tuna
     - a. Exploitation of the offshore tuna fisheries by attracting private capital through proper incentives.

b. Exploring world markets where the fish may be exported.

(2) Exports of other fish and fishery products—*bañgus* and other fishery products demanded by overseas Filipinos should be prepared in the form liked best by our nationals, such as smoked or canned, using Philippine recipes.

4. *Expansion and Improvement of Fishing Facilities*

More liberal dollar allocations and credit for the purchase of fishing boats and gear should be allowed those who are already in the business and those who desire to go into fishing ventures.

### *Agricultural Extension*

Returns on investment in the production of crops such as coffee, cacao, rubber and other desirable crops which are more or less on the experimental stage should be exempted from taxation. This will place the investors in a better position to stand competition from imported products and from already well-established ventures.

### SUMMARY OF THE FINANCIAL REQUIREMENTS

| Project or Measure | Amount in Thousand Pesos |
|---|---|
| Establishment of regional seed farms | 9,000.0 |
| Expansion of Plant Pest and Disease Control | 9,000.0 |
| Fertilizer Distribution | 54,000.0 |
| Irrigation | 179,000.0 |
| Cotton Production Subsidy | 4,500.0 |
| Expansion of the Bureau of Agricultural Extension | 3,865.0 |
| Modernization of Rice Milling | 4,500.0 |
| Deep-sea fishing and fish processing | 30,000.0 |
| Fishpond development | 3,000.0 |
| Animal Pest and Disease Control | 600.0 |
| Importation of beef and dairy cattle | 10,000.0 |
| Establishment of a Conservation Corps | 36,000.0 |
| Total | 343,465.0 |

## CHAPTER III — MANUFACTURING PROGRAM

*Objectives and Measures.* This is a proposed three-year production program in manufacturing which includes specific projects designed for establishment under government sponsorship and private initiative.

The program aims to (1) produce more of the essential manufactured commodities and raw materials which are now largely or wholly supplied from abroad to lessen our dependence on foreign sources; (2) induce the establishment of basic industries, either by the government or by private capital or as joint ventures; (3) encourage diversification of the economy on a much wider front, including the more rapid exploitation of local products, by-products and waste products as research developments bring to light their economic value and uses; (4) consider industrialization as a more effective tool in inducing a faster rate of creating employment opportunities. It is expected to accomplish the laying of the foundation for the industrial development of the country by accelerating the establishment of basic industries upon which other industries would depend for their development.

In the selection of the projects, emphasis was laid on industries which will produce essential commodities that are being imported in considerable quantities, especially those industries which will most fully utilize domestic raw materials. Those whose production is not possible under present local conditions or under our present stage of industrial development are not considered. The final consideration in the selection of the desirable manufacturing projects depends on the local demand for the product, market possibilities, and the profitability of the operation.

The accompanying tables show the manufacturing projects. In view of their importance to the national economy, six areas of development are stressed; namely: (1) shipbuilding (treatment included in Chapter V), (2) iron ore smelting, which will include the fullest possible utilization of the Surigao lateritic deposits, (3) expansion of cement production, (4) improvement and expansion of industrial research, (5) pulp and paper production, and (6) the promotion of home industries.

The ship-building project, designed preferably for private development, involves an investment of ₱100 million, ₱40 million of which is to be invested in the first year and ₱30 million each in the second and third years. In order to attract capital to this field, it is proposed that the government subsidize the construction of the drydock and other facilities required in shipbuilding by investing ₱10 million for the purpose.

The establishment of a smelting plant, with an estimated investment of ₱60 million, is recommended to provide facilities for the conversion of the lateritic iron ore deposits in Surigao into ferronickel pig. Private investors, particularly those engaged in mining, should be encouraged to undertake this project with the government sharing at most 50 per cent of the capital with the management to be left in competent private hands.

The government should finance the establishment of ammonium nitrate fertilizer plants and the production of insecticides which will call for an appropriation of ₱16 million and ₱1 million, respectively.

In view of the recurrent shortage of cement and ceramic construction materials, expansion of these industries is imperative. This program recommends the investment of ₱40 million by the private sector in the establishment of additional cement plants with an estimated aggregate capacity of 8 million bags. To meet the domestic demand for ceramic products, especially construction bricks, sanitary ware, and tiles including roofing materials, an investment of ₱14 million is expected to be covered by private capital fully or with government participation. This will promote the increased local production of glazed tiles and other ceramic articles.

Under the program, it is proposed to establish one flexible paper plant of 21,000 ton capacity annually, which will involve an estimated ₱14 million capital investment within the three years, for the manufacture of newsprint, tissue, and writing paper with sugar cane bagasse as principal raw material. Financing is proposed for the government to undertake.

The manufacture of tin plates and cans which requires large financial outlays should be undertaken by the government first, subject to sale to private enterprises when successful operation develops. It is to be noted that in the financing of self-liquidating projects by the government, either in full or as part of joint ventures, that the government intends only to pioneer and sell such ventures when their operation becomes profitable and attractive to private enterprise.

One important prospect of relieving unemployment in the country could very well be in the promotion of home industries in which the potential labor resources of the rural areas could be fully utilized for production. This will not be the first attempt to develop home industries as an instrument to raise the productive output and real income of the rural population. Previous efforts met with little success owing to, among other reasons, an uncoordinated technical approach as well as the spasmodic nature of the past attempts. Cognizant of the ineffectiveness of previous home industries development plans, this program requiring an outlay of ₱2 million proposes a new approach, initially involving extensive and comprehensive promotional work directed towards the building up of a more solid and permanent foundation for home industries.

The importance of research in industry can not be over-emphasized. It has been reported (Encyclopedia Britannica) that 90 per cent of the income derived from manufacturing accrues from the discoveries of scientific investigations. Research in industry is expected to (1) improve existing products, (2) develop new ones, (3) improve manufacturing procedures, (4) effect better utilization of waste materials, (5) find new uses of existing products, (6) bring about better standardization, and (7) reduce costs of production. A fund amounting to ₱13.1 million has been provided in R.A. No. 1606, for the improvement and expansion of industrial research in the Philippines. Some of the projects included in the industrial research program are metallurgy, pulp and paper, foods, textile, ceramics and coconut by-products.

In order to accelerate the work along this line, an outlay of ₱6.1 million is provided for the first year, ₱4.4 million in the second year, ₱4.3 million in the third year. The larger amount required in the first year will cover the expansion of laboratory buildings, the construction of new ones and the purchase of machinery and equipment, including establishment of pilot plants.

### *The Role of Private Enterprise in the Program*

For achieving the objectives of this program, a fundamental premise is that the establishment and operation of industrial projects will primarily be undertaken by private enterprise. The government will undertake a limited number of industries confined mostly to those types which, although considered desirable, do not hold much ready attraction to private enterprise and those which are important to the defense of the country.

As will be noted, Table 2 indicates the projects designed for development by the private sector, especially projects in which private interest in their establishment has been manifested. Others have been selected and studied by government technicians as essential and feasible projects which, because of their nature and the existing policy of the government, are considered within the scope of and should be undertaken by private enterprise. Because of the importance of these projects to the national economy, the government should be ready to assist prospective investors either through the extension of loans or through government participation in putting up the necessary investment.

*Production Goals of the Manufacturing Sector.* The proposed industrial production program involves the production of substitutes for imported goods through the establishment of new plants and the expansion of existing ones. Specific production goals are shown in Table 2. These goals embrace 45 projects including the expansion of existing industries grouped under 12 categories.

A. *Iron and Steel and Drydock*

1. Dock and Shipbuilding.—(This project has already been considered above).

2. Surigao ferro-nickel pig from Surigao iron ore.—(also treated above.)

3. Ferro-alloy Production.—Another industry which is highly essential in the development of the iron and steel industry is ferroalloys manufacturing to supply alloying agents for the steel industry. This project involves the establishment of a ferro-alloy manufacturing plant to process 24,000 metric tons of chromite ore (45% $Cr_2 0_3$) into 8,000 metric tons ferro-chrome; 60,000 metric tons manganese (40% Mn) into 25,000 metric tons ferro-manganese; and 17,000 metric tons quartz (98% $Si0_2$) into 17,000 metric tons ferrosilicon.

4. Galvanized Iron Plant.—In view of the large local demand for galvanized iron, it is considered highly important to establish a plant for producing galvanized iron in addition to a recently established private galvanizing plant. Unlike the existing mill, which utilizes imported materials, the proposed plant is expected to use locally manufactured black iron sheets as its raw materials.

B. *Chemicals*

1. Caustic Soda—Soda Ash Plant.—This is a combined soda ash-caustic soda plant project. Using the ammonia-soda or "Sol-

vay" process, part of the soda ash produced will be converted into caustic soda by the caustization process. The plant is designed to operate on a three-shift schedule to produce 29,400 metric tons of soda ash and 14,700 metric tons of caustic soda annually. The San Miguel Brewery, Inc., made a detailed study of this project and hopes to establish it as a part of their industrial undertaking to supply the soda ash requirements of their glass factory and part of the needs of other industries.

Soda ash is one of the basic and most important chemicals in industry today. It is used commercially in the manufacture of glass, soap, bicarbonate of soda, textiles, pulp and paper, petroleum refining, cleansers, modified sodas, water softener, etc.

2. Superphosphate Fertilizer Plant.—This proposed plant will initially have a yearly output of 50,000 metric tons of superphosphate (18-20 per cent $P_20_5$).

Studies made on Philippine soils show that they are often critically deficient in phosphorous, which can only be corrected by the application of phosphatic fertilizers. Tests made by the Bureau of Soil Conservation on various soils throughout the country show that approximately 85% of Philippine soils are now deficient in phosphorous, while 59% are deficient in potash, and 55% in nitrogen. Since phosphate is the cheapest and most widely known source of phosphorous in the world today, the establishment of this plant is highly desirable.

Several private parties have shown interest in this project. It is, therefore, expected that it will be undertaken by private enterprise.

3. Salt Production.—Salt has become a very essential raw material for the growing chemical industries. To supply the increasing demand for salt, it is necessary to establish modern large-scale production units.

Production of salt by the solar evaporation of sea water, using mechanized methods, is recommended. Presently, Tabacalera is constructing a salt refinery in Mindoro, which is designed to produce 50,000 metric tons of salt annually.

4. Light Chemicals.—This project will be established in conjunction with the manufacture of charcoal, coke, and briquetted semicoke in which coal tar is a by-product. From the treatment of coal tar, light chemicals such as benzol, phenol, cresol, and allied products

can be obtained. In the manufacture of charcoal, methyl alcohol and formaldehyde can also be obtained as by-products.

*C. Pulp and Paper*

At present, there are five (5) paper mills in the country, which are producing fine paper and paper boards. One is owned and operated by Compania Cellulosa de Filipinas. Another belongs to the Philippine Paper Mills, another to the World-Wide Investment Corporation, and the two most recently established are the Manila Paper Mill and the Philippine Paper Manufacturing Company.

The proposed project for the private sector aims to produce cigarette paper and tissue paper. In addition, the manufacture of wallboard and paper products by private enterprise is also proposed.

*D. Textiles*

Considering that textiles constitute the largest single item of importation of the Philippines, requiring foreign exchange in the amount of no less than ₱180 million annually, it is proposed to follow a bold program to develop the local textile industry to the extent of making the country self-sufficient. The contemplated development includes the expansion of the cotton textile factories, rayon manufacture and the processing and treatment of rayon fiber for weaving into cloth with or without mixture with cotton, and the establishment of integrated ramie textile mills.

E. *Non-Metallic Minerals*

1. Cement. (Already discussed in another section of this report).

2. Ceramics.—The ceramic industry in the Philippines has on the whole remained in a primitive stage, dominated by small family-pottery establishments and some small brick factories. Up to the present, chinaware and other porcelain ware are imported from abroad. The manufacture of these articles has recently been initiated by the establishment of KERMAC Manufacturing Co. The manufacture of structural bricks, including roofing materials, is essential to meet the increasing local demand.

The prospective manufacturing projects on ceramics are the manufacture of glazed wares, especially electrical insulators which the power-development program will require in large quantities, improved pottery, vitrified clay, construction materials including pipes, porcelain ware, refractory bricks, and construction bricks including roofing materials.

3. Glass—Glass in the form of construction materials, table ware and decorative items is also essential. The establishment of these glass factories is proposed for the private sector.

F. *Food Manufacturing*

1. Food processing.—One of the major items on our import list is food products. Of these, the principal articles are meat, dairy products, fish, grain, vegetables, fruits and juices, powdered cocoa and prepared coffee.

Large importations of the foregoing products are largely due to insufficiency of local production. Some, however, are not available locally.

A number of food-processing plants have been established recently. Some have been highly successful and their products have received favorable reception among consumers. Given adequate financial and technical assistance, it is expected that new mills will be established.

2. Cassava Flour.—This project includes the establishment of several cassava flour mills, mostly in Mindanao, where cassava can be produced in abundance. Each mill is designed to produce cassava flour, cassava starch, and cassava tailings.

3. Wheat Flour.—Importation of this commodity in the last three years averaged 199.8 million kilos, valued at ₱42.3 million.

Based on a milling recovery of 70 per cent, the grain equivalent of 199.8 million kilos of flour will be about 285 million kilos. If all the wheat imported comes in the form of whole grain and milled here, there will not only be a saving in foreign exchange but it will also provide employment opportunities.

4. Starch, dextrin, and glucose.—The proposed project constitutes a corn starch, dextrin, and glucose manufacturing plant. The starch manufacturing plant will also supply the raw materials for the production of dextrin and glucose.

5. Animal Feed.—Feeds constitute at least 60 per cent of the total expenses in animal production. To insure the success of better animal production in the country, it is highly advisable that local animal feed-manufacturing plants be expanded to supply the needs. By-products from wheat-flour mills, establishment of which

is recommended above, will be another effective source of animal feeds.

### G. *Leather and Leather Products*

These projects embrace the establishment of eight (8) modern tanneries with an aggregate annual production of 15 million square feet of leather. These tanneries are expected to be undertaken by private capital. The capacity of existing tanneries has been estimated at 5 million square feet, which is about 50 per cent of the local requirements. However, as the standard of living rises in response to economic development, the consumption of leather products especially shoes will increase.

### H. *Home Industries*

The development of home industries is considered an important component of this production program, especially for the development of the rural economy. Home industries provide the farmer and his family with cash-producing employment during off-season periods when they are not busy with farm work.

A more vigorous and effective approach to the problem of home industries development appears necessary. The government should continue to take an active part in home industries development, especially in promotional work, involving the training of skills and improvement of designs, research, the development and standardization of products, extension of financial assistance, marketing, and organization of cooperatives. For this purpose, it is recommended that an outlay of ₱1.5 million should be made available to start a more vigorous campaign for the revival of interest in home industries development.

TABLE 1. — *PUBLIC INVESTMENT SCHEDULE FOR SELECTED MANUFACTURING INDUSTRIES*

*(In Million Pesos)*

| PROJECT CATEGORY & PROJECTS | CAPACITY | *Total Financial Requirement Authorization by Project* | | | *Release of Fund for Implementation by Year* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | *First Year* | | | *Second Year* | | | *Third Year* | | |
| | | Total | Dollar | Peso | Total | Dollar | Peso | Total | Dollar | Peso | Total | Dollar | Peso |
| *T O T A L* ........... | | 300.2 | 187.3 | 112.9 | 111.5 | 75.6 | 35.9 | 55.5 | 31.6 | 23.9 | 133.2 | 80.1 | 53.1 |
| I. *Iron and Steel and Drydock:* | | 78.8 | 37.3 | 41.5 | 36.1 | 20.1 | 16.0 | 18.9 | 8.2 | 10.7 | 23.8 | 14.8 | 9.0 |
| 1. Integrated Pig Iron Smelting and Steel Mill | 159,000 MT | 58.8 | 29.0 | 29.8 | 27.6 | 16.3 | 11.3 | 13.2 | 6.0 | 7.2 | 18.0 | 11.3 | 6.7 |
| 2. Dock and Ship Building | | 20.0 | 8.3 | 11.7 | 8.5 | 3.8 | 4.7 | 5.7 | 2.2 | 3.5 | 5.8 | 3.5 | 2.3 |
| II. *Chemical Industries:* | | 59.6 | 42.3 | 17.3 | 28.8 | 21.9 | 6.9 | 8.6 | 5.3 | 3.3 | 22.2 | 15.1 | 7.1 |
| 3. Ammonium Sulfate #2 | 50,000 MT | 15.0 | 10.4 | 4.6 | 13.2 | 10.4 | 2.8 | 1.8 | — | 1.8 | — | — | — |
| 4. Potassic Fertilizer | 30,000 MT | 10.1 | 8.0 | 2.1 | 1.1 | 0.9 | 0.2 | 0.3 | 0.2 | 0.1 | 8.7 | 6.9 | 1.8 |
| 5. Coal Derivatives | | 17.5 | 10.6 | 6.9 | 3.9 | 2.3 | 1.6 | 0.2 | 0.1 | 0.1 | 13.4 | 8.2 | 5.2 |
| 6. Ammonium Nitrate | 30,000 MT | 16.0 | 12.7 | 3.3 | 10.0 | 7.9 | 2.1 | 6.0 | 4.8 | 1.2 | | | |
| 7. Insecticide | | 1.0 | 0.6 | 0.4 | 0.6 | 0.4 | 0.2 | 0.3 | 0.2 | 0.1 | 0.1 | — | 0.1 |
| III. *F u e l:* | | 10.0 | 7.4 | 2.6 | 8.6 | 7.4 | 1.2 | 1.4 | — | 1.4 | — | — | — |
| 8. Coke-Oven | 85,000 MT | 10.0 | 7.4 | 2.6 | 8.6 | 7.4 | 1.2 | 1.4 | — | 1.4 | — | — | — |
| IV. *Pulp and Paper:* | | 14.0 | 9.5 | 4.5 | 10.0 | 7.0 | 3.0 | 3.3 | 2.4 | 0.9 | 0.7 | 0.1 | 0.6 |
| 9. Fine Paper | 24,000 MT | 14.0 | 9.5 | 4.5 | 10.0 | 7.0 | 3.0 | 3.3 | 2.4 | 0.9 | 0.7 | 0.1 | 0.6 |
| V. *T e x t i l e:* | | 26.2 | 16.0 | 10.2 | 7.4 | 6.4 | 1.0 | 4.0 | 2.2 | 1.8 | 14.8 | 7.4 | 7.4 |
| 10. Ramie Textile | 10.6 M yds. | 26.2 | 16.0 | 10.2 | 7.4 | 6.4 | 1.0 | 4.0 | 2.2 | 1.8 | 14.8 | 7.4 | 7.4 |
| VI. *M i n i n g:* | | 37.8 | 16.8 | 21.0 | 4.5 | 2.0 | 2.5 | 3.3 | 0.3 | 3.0 | 30.0 | 14.5 | 15.5 |
| 11. Malangas Coal & Others | | 37.8 | 16.8 | 21.0 | 4.5 | 2.0 | 2.5 | 3.3 | 0.3 | 3.0 | 30.0 | 14.5 | 15.5 |
| VII. *Other Industries:* | | 57.0 | 49.5 | 7.5 | 9.0 | 8.0 | 1.0 | 11.0 | 10.5 | 0.5 | 37.0 | 31.0 | 6.0 |
| 12. Machine Tools | | 18.0 | 16.1 | 1.9 | 2.3 | 2.3 | — | 2.3 | 2.3 | — | 13.4 | 11.5 | 1.9 |
| 13. Industrial Machinery Parts | | 20.0 | 17.8 | 2.2 | 2.5 | 2.5 | — | 2.6 | 2.6 | — | 14.9 | 12.7 | 2.2 |
| 14. Ball and Roller Bearing Plants | | 9.0 | 7.6 | 1.4 | 1.2 | 1.2 | — | 1.1 | 1.1 | — | 6.7 | 5.3 | 1.4 |
| 15. Tin Plate and Can Plant | | 10.0 | 8.0 | 2.0 | 3.0 | 2.0 | 1.0 | 5.0 | 4.5 | 0.5 | 2.0 | 1.5 | 0.5 |
| VIII. *Home Industries (Promotional)* | | 2.0 | 0.5 | 1.5 | 1.0 | 0.4 | 0.6 | 0.6 | 0.1 | 0.5 | 0.4 | — | 0.4 |
| IX. *Improvement and E* | | | | | | | | | | | | | |

TABLE 2 — *PROPOSED FIELDS FOR PRIVATE INVESTMENT*

| *Project Category and Projects* | *Capacity* |
|---|---|
| I. *Iron and Steel & Drydock*: | |
| 1. Dock & Ship Building | |
| 2. Surigao Iron Ore | 15,000 MT. |
| 3. Ferro-Alloys | 50,000 ” |
| 4. Galvanized Iron | 60,000 ” |
| II. *Chemicals*: | |
| 5. Soda-Ash Caustic Soda | 14,000 ” |
| 6. Superphosphate | 50,000 ” |
| 7. Salt | 70,000 ” |
| 8. Light Chemicals | — ” |
| 9. Pigment and Varnish | 4,000 ” |
| 10. Resins | — ” |
| 11. Pharmaceuticals | — ” |
| 12. Glue | — ” |
| 13. Calcium Carbide | 7,000 ” |
| III. *Fuel*: | |
| 14. Charcoal | 240,000 ” |
| 15. Coalite Briquette | 120,000 ” |
| 16. Alcohol Refineries | 90 m lit. |
| IV. *Textile*: | |
| 17. Cotton Cloth | 190 m yards |
| 18. Rayon Staple, cloth and filament | 33 m yards |
| V. *Non-Metallic Minerals*: | |
| 19. Cement | 8 m bags |
| 20. Ceramics | |
| 21. Glass | |
| VI. *Non-Ferrous*: | |
| 22. Copper Smelting and Refining | 12,000 MT. |
| 23. Copper Rolling, Wire Drawing and Insulating and Alloys | 6,500 ” |
| 24. Alluminum Rolling | 3,000 ” |
| VII. *Machinery*: | |
| 25. Industrial Machinery Parts | |
| 26. Machine Tools | |
| 27. Simple Electrical Equipment | |

| *Project Category and Projects* | *Capacity* |
|---|---|
| 28. Screws, Hinges & Butts | |
| 29. Agricultural Implements and Tools | |
| VIII. *Pulp and Paper*: | |
| 30. Wallboard | 60,000 MT. |
| 31. Paper Products | 3,000 " |
| 32. Cigarette Paper and Tissue Paper | 3,000 " |
| IX. *Food Manufacturing*: | |
| 33. Food Processing | |
| 34. Cassava Flour | 1.5 m bags |
| 35. Wheat Flour | 1.5 m bags |
| 36. Starch, Dextrine and Glucose | |
| 37. Animal Feed | |
| X. *Leather*: | |
| 38. Leather Tanning | 15 m ft. |
| 39. Leather Manufacturing | |
| XI. *Other Industries*: | |
| 40. Cottage Industries | |
| 41. Plywood | 435 m ft. |
| 42. Veneer | 435 m ft. |
| 43. Tin Plate and Tin Can Manufacturing | |
| 44. Miscellaneous Industries | |
| XII. *Expansion of Existing Industries* | |

## CHAPTER IV—MINING

*Objectives and Measures.* In the proper pursuit of economic development on a national scale, the government has to undertake as proposed in the preceding chapter the financing of some of the basic industries which will provide a steady supply of partly processed or semi-processed materials for other manufacturing industries. These basic manufacturing industries will in turn need raw materials from our mines as well as from our agricultural industries. This will necessarily mean an expansion of activities in the mining of base metals and non-metallic minerals to be undertaken by the private sector. The expected accelerated rate of mineral production as shown in Table II is, therefore, intended to cover the raw material requirements of industrial development. There is a need to develop the country's base metal resources, centered on copper, iron, chromite, manganese and nickel, which are in demand also abroad.

With the existing copper-beneficiation plant and the proposed establishment of a copper smelting plant by private enterprise, copper mining will have to be accelerated. The proposed establishment of NASSCO's integrated iron and steel mills, with an estimated investment of ₱50 million, will undoubtedly stimulate the development of iron, chromite, manganese, coal and lime-mining industries in the various regions of the country. Following this trend, by-products from coke and charcoal manufacture will also induce the development of chemical industries based on them. Firebrick and refractory article production, essential in smelting plants, will have to follow suit.

The proposed utilization of the Surigao ore for the production of ferronickel pig, as proposed in the manufacturing program, will also require the mining of the lateritic deposit in the Surigao mineral reservation, which is conservatively estimated to contain 38 million dry tons with 1.39 per cent (average) nickel content. It is proposed that the deposit be developed by private enterprise under operating contracts with the government. The project will be a multi-million dollar venture.

In this connection, it is expected that mineral production will be increased yearly, provided that present favorable conditions of market, prices, labor and taxes remain unchanged.

The development of our mineral resources plays a vital role in providing the industrial program with the necessary raw materials. This is a condition precedent to industrialization.

In view of the fact that mining development is slated for private sector development, the government should limit direct investment in mining to coal development. However, the government should extend financial assistance to the private sector in mining development or in specific cases participate with private industry in financing some selected mining ventures.

### TABLE II
### ESTIMATED PRODUCTION GOALS
*(In Thousands)*

| MINERAL | *Unit* | 1st *Year* | 2nd *Year* | 3rd *Year* |
|---|---|---|---|---|
| 1. Gold | Oz | 470 | 490 | 500 |
| 2. Silver | Oz | 600 | 650 | 700 |
| 3. Copper | MT | 50 | 60 | 70 |
| 4. Manganese | MT | 14 | 16 | 18 |
| 5. Chromite | | | | |
| *a.* Refractory | MT | 650 | 700 | 730 |
| *b.* Metallurgical | MT | 170 | 180 | 200 |
| 6. Iron | MT | 2,000 | 2,100 | 2,400 |
| 7. Lead | MT | 2.5 | 2.6 | 3.6 |
| 8. Zinc | MT | 0.4 | 0.6 | 1 |
| 9. Surigao Ore (Including Beneficiation) | MT | — | — | 2 |
| 10. Quicksilver | Lb | 130 | 140 | 145 |
| 11. Coal | MT | 138 | 300 | 500 |
| 12. Lime | MT | 1,000 | 2,000 | 3,000 |
| 13. Rock Asphalt | MT | 4.5 | 8 | 12 |
| 14. Sand, Gravel and other Non-metallic | | | | |

# CHAPTER V—SHIPPING, AIRPORTS AND AIRWAYS, POWER AND BARRIO ROADS

Supporting the agricultural, manufacturing and mining programs indicated in the previous chapters are selected projects in transportation, power and public works.

Power development is a vital precedent to industrial development and, simultaneously, a necessity if mechanized cottage industries development is to be promoted and developed in rural areas. Similarly, the more intensified shipping and airports and airways program is included in view of the urgent need for these facilities as there is an acute shortage of bottoms and air transport both from the domestic and overseas standpoint. Presently, less than 2 per cent of our foreign trade is carried by Philippine flag vessels. Shipping aids commodity distribution especially in this country where geographical conditions play an important role. In order to remedy the problem of marketing, more barrio roads will be needed to facilitate the shipment of commodities from production areas to market or distribution centers.

This three-year program, therefore, includes the following projects:

| *Project* | *Three-Year Financial Requirement (In Millions)* |
|---|---|
| 1. Shipping | ₱ 100 |
| 2. Power | 208 |
| 3. Barrio Roads | 30 |
| 4. Airports and Airways | 25 |
| | ₱ 363 |

This program thus calls for ₱363 million to finance the implementation of the program components within a three-year period.

The power program provides for the completion of Ambuklao, Binga, Maria Cristina Units No. 2 and 3, and all other hydro plants presently under construction; the construction of 2 large hydro plants, 10 small hydro plants scattered throughout the country, several thermal plants in areas where hydro sites are not available, and transmission line extensions to new areas. About 270,000 KW of additional power capacity and 1,500 million KWH additional energy annually should be available.

The airports and airways improvement and expansion program is intended to stimulate the development of commercial aviation in this country in view primarily of geographical conditions. To help support the financing of this program, landing fees being charged airline companies, without exception,[1] should accrue to an airport and airways fund together with a certain portion of income derived from the gasoline tax by slapping an increase of one centavo.

The barrio road program contemplates improvement of about 715 kms. of road annually or a total of 2,145 kms. within the three-year period in order to facilitate and improve inland trade in the rural areas. This is in line with the Administration's rural development program.

The shipping program seeks an addition of 105,000 gross tons of domestic and ocean-going vessels to our merchant fleet This will mean 30,000 GT for coastwise shipping and 75,000 GT for overseas shipping. Financing is indicated for government.

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[1] PAL is exempted from the payment of landing fees.

## CHAPTER VI—SOCIAL DEVELOPMENT PROGRAM

There can be no definite distinction between economic and social development. What is conceived as an economic policy has "welfare" objectives, the raising of standards of living. Where available resources are limited, emphasis must be laid on social programs with the economic objective of increasing productivity. The trend, therefore, is more and more towards the search for social and economic measures which mutually support each other to lay a stable economic foundation for broadening welfare.

This program for social development, therefore, is designed to be in direct support of the production programs. The choice of the measures to be undertaken considers that high productivity, be it industrial or agricultural, depends upon a healthy, well-fed and well-housed people. It takes cognizance of the fact that increased productivity can only be possible with a skilled, trained and literate labor force possessed of high morale and understanding. One vital part of this program is the establishment of a social order that permits mobility and change and encourages the habits of thrift and work.

### *HEALTH*

Economic development is an interplay of two primary forces—natural resources and manpower. Since the burden of development is necessarily borne by manpower, a high level of physical, mental and social efficiency should be kept.

Apart from humanitarian considerations, there is a direct economic aspect in health. Particularly in debilitating diseases where people do not die quickly but continue to eat income and reduce productivity, ill health represents a loss of both per capita and national net income. It is imperative that adequate protection against such diseases as malaria, tuberculosis, schistosomiasis, malnutrition, dysenteries and typhoid fever be provided. Sanitation measures must be undertaken in new areas of development and as the population increases, the extension of medical services and a health education program must be accomplished. Continued advancement in medical science must be stimulated.

In communities which are more settled and progressive, gradual and increasing participation of private initiative in the health program is desirable. Incentives for private investment in health should be provided as well as for private practice of the health profession in rural areas.

The health measures proposed to be implemented are:

(a) Control of Communicable Diseases:
  1. Malaria Eradication.
  2. Schistosomiasis Control. The result of the Pilot Project in Leyte must be applied to infected areas.
  3. Expansion of Tuberculosis Control to include resettlement projects and the establishment of chest clinics in rural areas.

(b) Environmental Hygiene:
  1. Construction of sanitary wells and other water supply sources.
  2. Greater emphasis on environmental sanitation activities affecting food, water supply, sewage disposal and sewerage, town and country planning, refuse collection and disposal, sanitation of public conveyances, places of entertainment and industrial establishments.

(c) Medical and Hospital Care:
  1. Establishment of additional public hospitals, sanitaria and health centers.
  2. Establishment of additional rural health units including dental care to provide one team for every 20,000 people.
  3. Medical research
  4. Additional vaccine laboratory

(d) Improved Nutrition:
  1. Research on nutrient requirement of people and nutrient content of Filipino foods.
  2. Nutrition Education

(e) Training of Health Personnel:
  1. Improvement of medical, nursing, and dental training facilities
  2. Staff development program

(f) Health Statistics:
  1. Survey of facilities
  2. Standardization of health statistics

The health program should be coordinated in the Department of Health. Cooperative action should be given to other agencies of the government to insure development of new areas unhindered by communicable or infectious diseases, and assure healthy and sanitary surroundings for people to undertake the development work.

The efficiency with which the implementation is to be carried out in the various aspects of the health program should be supported by continuous training and education of public health personnel under the training program of the Department and in training abroad or in professional colleges of public health in the Philippines. Researches will be designed and developed to assist in the solution of current problems in the field and the production of immunizing vaccines and sera should be upgraded to meet the overall requirements.

## *SPECIFIC PROJECTS*

### A. *Control of Communicable Diseases*

1. *Malaria* — There are now 30 control units in operation and spread in malarious areas to survey endemic areas, to continue residual spraying with insecticides, DDT and Dieldrin of all houses in the field of operation and to do case treatment. The goal is to reduce or eliminate the transmission rate which is now 1.8% and to eradicate malaria within the next 2 or 3 years by massive continuous control methods. Research in different control methods should be continued and training of more technical men done to supply the field adequately. The 30 units should be gradually reduced after 1958 until only 10 will remain to actively engage in mopping up work and in surveillance to prevent recurrence of endemicity of malaria in all areas.

2. *Schistosomiasis* — It is expected that proper and effective control methods can be discovered in the experimental researches being undertaken in the pilot project in San Jose, Leyte. This project should be continued. Likewise, studies for better knowledge of the origin, transmission and control of the disease need to be made.

Control experiments like draining and clearing of streams, filling, ponding, flooding, improved farming, biological controls, etc., should be performed to find out efficient control methods.

In 2 or 3 years an appraisal and evaluation of the project should be made out of which may be derived the best method for application in a national control program.

3. *Tuberculosis* — The goal is to establish and activate mobile chest clinics until there is one clinic for every 200,000 people to visit towns and municipalities for case findings, consultations, and medical treatment and undertake tuberculin testing and BCG immunization of susceptible population; also the establishment of one static chest clinic in every province to do routinary clinic activities, receive referrals and cases requiring special treatment.

Tuberculosis Wards should form part of rural hospitals to take care of cases eligible for surgical treatment.

Public health nurses should extend services as may be needed in the patients' homes.

A village resettlement project should be established as a pilot project to take in tuberculosis cases that are recovered or on the way to recovery. They should be provided proper accommodation and trained in handicraft, gardening, and farming and other trades that may help them earn a living upon discharge.

Health education should be carried on as a major activity of each center or clinic. Likewise, training facilities should be provided technical personnel to enable them to give efficient service.

The cooperation of the Philippine Tuberculosis Society should be maintained and secured in all these activities.

B. *Environmental Hygiene and Sanitation*

1. *Water Supply* — To provide one source of safe water supply for every 250 population, there is need to construct 60,000 wells. This goal may not be reached in three years but as a part of the community development program, the Liberty Wells program and other "self-help" programs, it should be possible to expect that 50% of the need should be met within that period.

2. *Environmental Sanitation* — Emphasis throughout the years of development should be given to food sanitation, sewerage, sewage treatment and disposal, town and country planning, refuse collection and disposal, sanitation of public conveyances, of public buildings and places of entertainment and of industrial establishments.

To properly execute a campaign of sanitary improvement, legislation should be made available on industrial wastes disposal, pollution of streams, abatement of nuisances, and enforcement of sanitary rules and regulations.

A pilot environmental sanitation project should be launched in two selected places with rural and urban characteristics. The experience gained in these projects should be applied in appropriate places.

The environmental sanitation program should be coordinated with agricultural and industrial expansion, community and settlement development and road and harbor construction.

*C. Hospital and Medical Care*

1. *Hospitals* — The rate of admission into hospitals has increased and in many cases the bed capacity is exceeded by 100%. A building construction program for the next three years is designed to meet only the estimated increase in population. Pending an adequate survey of hospitals, particularly in their present coordination with dispensaries and health centers, their staffing and accessibility by people, no extensive building construction is planned to be undertaken.

Expansion of hospitals and training services and the establishment of pilot guidance and mental health clinics in regional training centers should be gradually undertaken.

A regional hospital training center should be established to absorb consultant, technical and educational services which a medical center should offer to practicing physicians and hospital personnel. Coordination of this hospital center with hospital and medical services within the adjoining areas should be made and it should eventually be made the center of scientific medical and hospital services in the region.

Improvement in the staffing of each hospital is one of the primary objectives of the program.

Dental and maternity and infant care should be maintained and promoted in the hospitals, in maternity clinics and dispensaries with the cooperation of private organizations like the Women's Clubs.

2. *Philippine General Hospital* — The need for an additional operating pavilion is imperative. As a medical training institution, a surgical pavilion for operating purposes as well as for instruction, demonstration and training should be provided. This should be constructed during the first year of this program.

3. *Rural Health Units* — This activity implements both curative and preventive phases of public health. It will also render services to maternity, infant's and children's needs.

Two types of rural health units are contemplated in this program: the senior rural health units which will be provided with a physician, public health nurse, midwife, sanitary inspector and clerk-driver and the junior rural health units which will have a physician and a nurse or midwife.

It is expected to establish 1300 rural health units up to 1958 and 10 every year thereafter.

Municipalities with 5,000—35,000 population should have senior rural health units. Municipalities with more than 35,000 population should have in addition an extra nurse and or midwife and or sanitary inspector each for every 5000 additional population.

Rural Health Kits administered by these health units should be given to barrios and sitios which are not within easy reach of established units. These kits should be under the charge of barrio councils.

4. *Vaccine Laboratory* — To enable development of efficient vaccine and sera production, an additional building to house the smallpox vaccine laboratory should be constructed. Work should also be expedited on pertussis and tetanus toxoid work and on increased production of plasma and collection of whole blood in cooperation with the Philippine National Red Cross.

A construction program for the next three years of a toxoid and antitoxin laboratory; pathology and microbiology building; antibiotic plant; and residences for full time staff members should be undertaken.

It is hoped that the expansion herein programmed will give full support to the public health program of the Department of Health and eventually lead to the export of sera and vaccines to neighboring countries.

3. *Medical Research* — Research should be bolstered with qualified staff and materials. Experiments on achromycin and myesteclin and on Salmonella and Shigella enteritis should be continued. Researches on virus in general and on Hemorrhagic Fever in particular in connection with occurrence of diseases and their cure and in similar manner that of rabies should be pursued. Other medical research should be encouraged with the assistance of the government.

D. *Improved Nutrition* — Malnutrition and undernutrition are prevalent among adults as well as infants and children. Adequate nutrition should be determined for both sexes and for different age groups of different activities. The food pattern of the different population levels should be determined by surveys, food analyses, blood analyses, and experiments on human requirements and animal studies.

Nutrition education and information should be intensified and applied to wider areas. A medical nutrition clinic should be established in at least each rural hospital.

Recipe and menu testing, dietary investigation, and evaluation should be undertaken to determine proper dietary suggestions for all types of the population.

Food analyses shall be performed particularly for proximate minerals and vitamins; amino acids, vitamin $B_{12}$ and folic acid.

Likewise, blood analyses to determine normal levels of nutrients, particularly serum iron and phosphates should be made. Human requirements for riboflavin and protein should be determined.

Cooperative activities should be carried on with other government agencies, like the Army and Navy, hospitals, etc. to determine proper dietary measures to be applied to prevent mal- or undernourishment.

### E. *Training of health personnel*

The prosecution of the health program or of any program depends upon the competence of the personnel available to carry it out. The training facilities of the medical, nursing, and dental colleges of the University of the Philippines should be improved and extended.

The training program available in the country should be supplemented with foreign technical assistance for both government health personnel and private practitioners.

Likewise, a vigorous staff development program for continuous professional growth of those already on the job should be fostered.

### F. *Health Statistics*

A thorough survey of all medical facilities available in this country should be made to determine the actual ratio of facilities to population. This should be the basis for planning the expansion of the health program.

Health statistics should be standardized and up-to-date statistics on death rate, birth rate, disease incidence, morbidity, infant mortality, etc., should be arrived at for planning purposes.

### SUMMARY OF INVESTMENT REQUIREMENTS OF THE HEALTH PROGRAM[1]

(In Thousand Pesos)

| Projects | 1957 | 1958 | 1959 | TOTAL |
|---|---|---|---|---|
| a. Control of Communicable diseases | | | | |
| 1. Tuberculosis | 800 | 800 | 800 | 2,400 |
| 2. Schistosomiasis | | 200 | 400 | 600 |
| b. Environmental Sanitation | | | | |
| 1. Water supply | 2,000 | 3,400 | 4,000 | 9,400 |
| 2. Sanitation | 300 | 300 | 300 | 900 |
| c. Hospitals, clinics, rural health units, laboratories | 3,000 | 5,000 | 6,000 | 14,000 |
| d. Nutrition | 2,000 | — | — | 2,000 |
| e. Training | 300 | 300 | 500 | 1,100 |
| f. Survey | 100 | — | — | 100 |
| TOTALS | 8,500 | 10,000 | 12,000 | 30,500 |

[1] Includes construction of buildings, equipment, training only.

## *SOCIAL WELFARE*

The security and progress of a country is largely determined by the opportunities available for its people to contribute their creative skills, capacities and abilities to the wealth of the nation. It is also a basic principle of democracy that the state must provide the opportunities to enable all its citizens, including the less fortunate and underprivileged, to make such a contribution. Thus the welfare of the masses becomes the prime concern and responsibility of the government.

Some facts on the present social welfare:

(1) Government social welfare received on the average 0.55% of the annual national budget from 1950-56 or ₱4.3 million; voluntary social welfare cost ₱3.4 million;

(2) Estimated per capita cost of social welfare in 1955 was ₱5.12. There are about 2 millions eligible for social welfare. Only 3/4 are being aided by both government and voluntary agencies on an almost half-half ratio.

(3) Of 400,000 physically incapacitated who can be re-trained for gainful occupation, only 800 are given rehabilitative services;

(4) 8 government and 13 voluntary child-caring institutions give shelter and care to an average of 4,000 children annually; and

(5) Government welfare programs favor assistance for economic needs; voluntary agencies lay emphasis on developmental and recreational aspects.

The many social ills and handicaps act as a great deterrent to the productive potential of individuals and increase the economic burden of family members who must support dependents. National productive capacity, wealth and income suffer. Continued economic dependency tends to further multiply social ills and handicaps. In the long run, it is less costly to provide timely handling of such social ills.

The awakening of civic consciousness and the use of self-reliance and self-help as a technique in social progress offers vast possibilities for human welfare. Voluntary effort must be encouraged and stimulated under dynamic government leadership. Fundamental social welfare services such as the social integration of the handicapped and the institution of preventive measures against dependency, incapacity, criminality, delinquency, other social maladjustments, and individual and social disintegration are immediate objectives. Comprehensive social welfare services will, for the present, in view of limited resources, remain a long range objective.

The measures to be implemented in social welfare are:

(a) Rehabilitation of the physically handicapped and their return to the labor force;
(b) Reconstruction of the child welfare program;
(c) Training of social welfare personnel;
(d) Self-help projects;
(e) Social research and statistics.

## *SPECIFIC PROJECTS*

### *a. Rehabilitation of the physically handicapped*

It is estimated that there are at least 400,000 physically handicapped in this country who, if given the opportunity, may be rehabilitated and subsequently retrained for a suitable vocation. Thus, these 400,000 who are now social dependents can be returned to the labor force and become productive citizens. The vocational rehabilitation program of the Social Welfare Administration shall be expanded and 8 regional centers established.

### b. *Reconstruction of the Child Welfare Program*

The emphasis in the Child Care Program of the Social Welfare Administration should be shifted from mere custodial care to training for citizenship. To achieve this, it is necessary that Welfareville be developed for the industrial training of its wards and an additional two or three children's or youth farms for training of wards in rural life should be established.

The educational program in children's institutions should be coordinated with the program of the Department of Education.

c. *Training of social welfare personnel.* Social welfare training in this country has been geared to western standards and needs. Because of the characteristics of our economy, it is necessary that a training program be developed which will give competence to welfare personnel along self-help, mass population programs and preventive and experimental projects rather than along relief and rehabilitation of individual cases.

Foreign technical assistance should be made available for senior personnel. Local training schools for junior personnel should be subsidized by government.

### d. *Self-help projects*

Emphasis should be shifted from relief to self-help projects and the stimulation of people into awareness of their need and the application of their own resources to the solution of their problem. This calls for close coordination with community development programs.

### e. *Social research and statistics*

Social research is very necessary as a tool in balancing the use of limited resources. The results of research are important as bases for the formulation of programs, for checking their progress and evaluating their effectiveness. Sample surveys and experimentation should be fostered.

## SUMMARY OF FINANCIAL REQUIREMENTS
(In thousand pesos)

| PROJECTS | 1957 | 1958 | 1959 | TOTAL |
|---|---|---|---|---|
| 1. Training of Personnel ..... | 100 | 150 | 150 | 400 |
| 2. Rehabilitation of the Handicapped ............ | 500 | 800 | 1,200 | 2,500 |
| 3. Child Welfare (Farms, etc.) . | 200 | 200 | 200 | 600 |
| 4. Self-Help Projects .. ..... | 700 | 800 | 1,400 | 2,900 |
| 5. Social research ............ | 50 | 50 | 50 | 150 |
| TOTAL ............ | 1,550 | 2,000 | 3,000 | 6,550 |

### *EDUCATION*

Economic self-sufficiency and stability can be achieved to a great extent through the processing of the extensive natural resources of the country into consumable goods by the application of labor and capital. It is, therefore, imperative that hand in hand with economic development should be the improvement of educational facilities by which manpower can become skilled and, therefore, productive citizens, properly imbued with a healthy nationalism and civic consciousness.

Education has impressive accomplishments. Of all services, it probably has the biggest impact on the development of the economic life of the country and the establishment of a sound democratic nation.

To achieve this, equal opportunity for all children and adults for basic education must be provided; as well as a differentiated system of education to provide for differences in individual ability and to meet the economic and professional needs of the country; advanced opportunities in education for those who desire it; high standard of achievement in all educational institutions; industrial and scientific research to develop natural resources and to train highly competent technicians and other executives and opportunities for citizen participation in educational activities.

To place school financing on a more stable and productive basis calls for the introduction of a system of local taxation and the gradual delegation to local governments of greater authority and responsibility for the management of their schools.

To implement the policy and achieve desired goals, the following program will be undertaken during the next three years:

1. Construction of a sufficient number of public elementary school buildings to assure the education of all children of elementary school age and the strict application of the Education Act;

2. Reorganization of the general secondary schools towards the comprehensive high school which will give greater opportunity for vocational options, including cottage industries and the establishment of additional vocational schools;

3. Development of industrial and scientific research on Philippine natural resources as part of higher education, and the creation of a Board of Universities to ensure proper standards in all colleges and universities;

4. A Division of Fundamental and Adult Education, created to be responsible for harnessing all educative forces to eradicate illiteracy among out-of-school youth and adults, and for extending the Adult Education program to include vocational (including cottage industries) social, and civic activities;

5. Establishment of a Division of Teacher Training in the Department of Education to be responsible for the adequate training of general and vocational teachers;

6. Review of the curriculum and the textbooks of all educational institutions to instill in students the best national traditions, to train them for the development of the country's resources, and to develop the special abilities of each child;

7. Local taxation of 3/8 of one per cent on assessed valuation of real property as well as the passage of permissive legislation to grant powers to local authorities to levy additional local taxes, and a planned and progressive scheme of decentralization of control through the establishment of local Boards;

8. Improvement of the administrative structure so that the Secretary of Education, the Director of Education and Superintendents may be freed from routine administrative duties to give greater weight to educational leadership;

9. Determination and the enforcement by the Department of Education of the subjects, time allocation and standards of achievement of private and alien schools.

### *SPECIFIC PROJECTS*

a. *Basic and fundamental education.* This calls for the construction of additional elementary school buildings to provide basic education for school age children in 2,000 barrios without schools and to take care of the natural increase in population.

This project also considers facilities for the adult to become literate and/or to gain skills for earning a living through an adult education program.

The construction of school buildings as well as literacy, vocational and cultural activities for the adult should be implemented through the self-help method in the first and the extension and the community development programs for the latter.

b. *Vocational education.* The general high schools should be gradually converted into the comprehensive type of schools which will provide general vocational training to the youth. The program calls also for the establishment of additional vocational agricultural and trade schools to bring the present number to a total of 90.

c. *Curriculum.* The reconstruction of the school curriculum to include more vocational courses in accordance with the needs of the country. The resources of each locality and the potentialities for employment should be considered in the choice of offerings in school.

d. *Administration.* The Department of Education should be reorganized to achieve coordination and greater economy in the use of staff and facilities. Likewise, a more stable financing system should be worked out for secondary education through taxation. It is also necessary that localities be encouraged and trained to take more and more responsibility in the administration of the schools to prepare for a decentralized system of school administration.

## SUMMARY OF FINANCIAL REQUIREMENTS
(In thousand Pesos)

| Project | 1957 | 1958 | 1959 | TOTAL |
|---|---|---|---|---|
| 1. Basic education[1] | 2,000 | 2,000 | 1,000 | 5,000 |
| 2. Vocational Education | | | | |
| (a) Conversion of general to comprehensive schools[2] | 2,000 | 2,000 | 3,000 | 7,000 |
| (b) Vocational Schools[3] | 2,000 | 3,000 | 1,000 | 6,000 |
| Total | 6,000 | 7,000 | 5,000 | 18,000 |

[1] For 1,000 elementary school buildings.

[2] For conversion of 140 general high schools into the comprehensive type.

[3] For the establishment of 20 vocational schools.

## SOCIAL DEVELOPMENT PROGRAM

The Social Development Program thus requires the following investment in buildings, equipment and training of personnel during the three-year program period:

| Project | Investment<br>In thousand pesos | | | |
|---|---|---|---|---|
| | 1957 | 1958 | 1959 | Total |
| 1. Health | 8,500 | 10,000 | 12,000 | 30,500 |
| 2. Welfare | 1,550 | 2,000 | 3,000 | 6,550 |
| 3. Education | 6,000 | 7,000 | 5,000 | 18,000 |
| Totals | 16,050 | 19,000 | 20,000 | 55,050 |

# APPENDICES

## SELECTED ECONOMIC INDICATORS

1949 - 1955

| | 1949 | 1950 | 1951 | 1952 | 1953 | 1954 | 1955 |
|---|---|---|---|---|---|---|---|
| MONEY SUPPLY, million pesos | | | | | | | |
| Total | 1,035.4 | 1,229.0 | 1,160.4 | 1,198.2 | 1,224.1 | 1,226.6 | 1,336.2 |
| Currency in circulation | 569.9 | 674.7 | 644.5 | 629.7 | 666.0 | 676.6 | 670.4 |
| Peso deposits subject to check | 465.5 | 554.3 | 515.9 | 568.5 | 558.1 | 550.0 | 665.8 |
| PRICES, 1949 = 100: | | | | | | | |
| General wholesale prices | 100.0 | 97.0 | 109.0 | 99.7 | 98.7 | 93.6 | 91.1 |
| Consumer prices | 100.0 | 103.0 | 111.6 | 104.4 | 100.9 | 99.4 | 98.4 |
| Retail prices | 100.0 | 100.2 | 110.4 | 106.3 | 102.9 | 98.2 | 94.6 |
| PRODUCTION, 1949 = 100: | | | | | | | |
| Combined | 100.0 | 111.8 | 129.3 | 138.9 | 150.6 | 167.2 | 177.8 |
| Agricultural | 100.0 | 108.0 | 124.0 | 133.3 | 142.7 | 158.7 | 164.0 |
| Manufacturing | 100.0 | 120.9 | 141.8 | 149.3 | 168.7 | 189.6 | 213.4 |
| Mining | 100.0 | 127.5 | 158.8 | 196.1 | 200.0 | 192.2 | 207.8 |
| FOREIGN TRADE, FOB value in million pesos: | | | | | | | |
| Total imports | 1,172.8 | 684.9 | 980.0 | 864.1 | 914.0 | 965.3 | 1,095.2 |
| Total exports | 507.5 | 674.3 | 819.4 | 703.8 | 807.6 | 810.3 | 790.8 |
| Balance of trade | —665.3 | — 10.6 | —160.6 | —142.3 | —106.4 | —155.0 | —304.4 |
| INTERNATIONAL RESERVE,[a] million U.S. dollars: | | | | | | | |
| Total | 260.1 | 355.9 | 303.9 | 305.9 | 296.0 | 272.7 | 209.2 |
| Central Bank International reserve | 230.7 | 295.6 | 244.4 | 236.1 | 240.4 | 207.5 | 154.9 |
| Net foreign exchange holdings of other banks | 29.4 | 60.3 | 59.5 | 69.8 | 55.6 | 65.2 | 54.3 |
| DOMESTIC CREDITS,[a] million pesos: | | | | | | | |
| Total | 813.9 | 898.4 | 1,114.2 | 1,142.2 | 1,239.5 | 1,341.2 | 1,753.1 |
| Central Bank | 148.1 | 218.2 | 264.1 | 265.1 | 260.2 | 282.5 | 417.9 |
| Other Banks | 665.8 | 680.2 | 850.1 | 877.1 | 979.3 | 1,058.7 | 1,335.2 |

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[a] As of the end of the period.

SOURCE: Central Bank News Digest, April 10, 1956.

APPENDIX 1-01

APPENDIX 1-02

## NATIONAL INCOME AND PRODUCT BY INDUSTRIAL ORIGIN
1950 - 1955

(In million pesos)

| Item | 1950 | 1951 | 1952 | 1953 | 1954 | 1955[a] |
|---|---|---|---|---|---|---|
| Agriculture | 2,492 | 2,759 | 2,800 | 3,088 | 3,162 | 3,276 |
| Mining | 46 | 82 | 102 | 100 | 98 | 110 |
| Manufacturing | 748 | 938 | 952 | 995 | 1,012 | 1,140 |
| Construction | 239 | 237 | 221 | 237 | 207 | 232 |
| Trade | 752 | 838 | 809 | 780 | 781 | 861 |
| Transportation & Communications | 205 | 228 | 242 | 242 | 235 | 250 |
| Government | 386 | 431 | 487 | 529 | 586 | 623 |
| Personal Services | 274 | 343 | 310 | 313 | 317 | 326 |
| Others | 1,004 | 914 | 942 | 950 | 960 | 986 |
| NATIONAL INCOME (at factor cost) | 6,146 | 6,770 | 6,865 | 7,234 | 7,358 | 7,804 |
| Depreciation | 335 | 370 | 390 | 432 | 407 | 430 |
| Indirect taxes less subsidies | 371 | 516 | 575 | 563 | 612 | 622 |
| GROSS NATIONAL PRODUCT (at market prices) | 6,852 | 7,656 | 7,830 | 8,229 | 8,377 | 8,856 |

SOURCE: Central Bank, Sixth Annual Report, 1954, pp. 187 & 192.

[a] Central Bank, Seventh Annual Report, 1955.

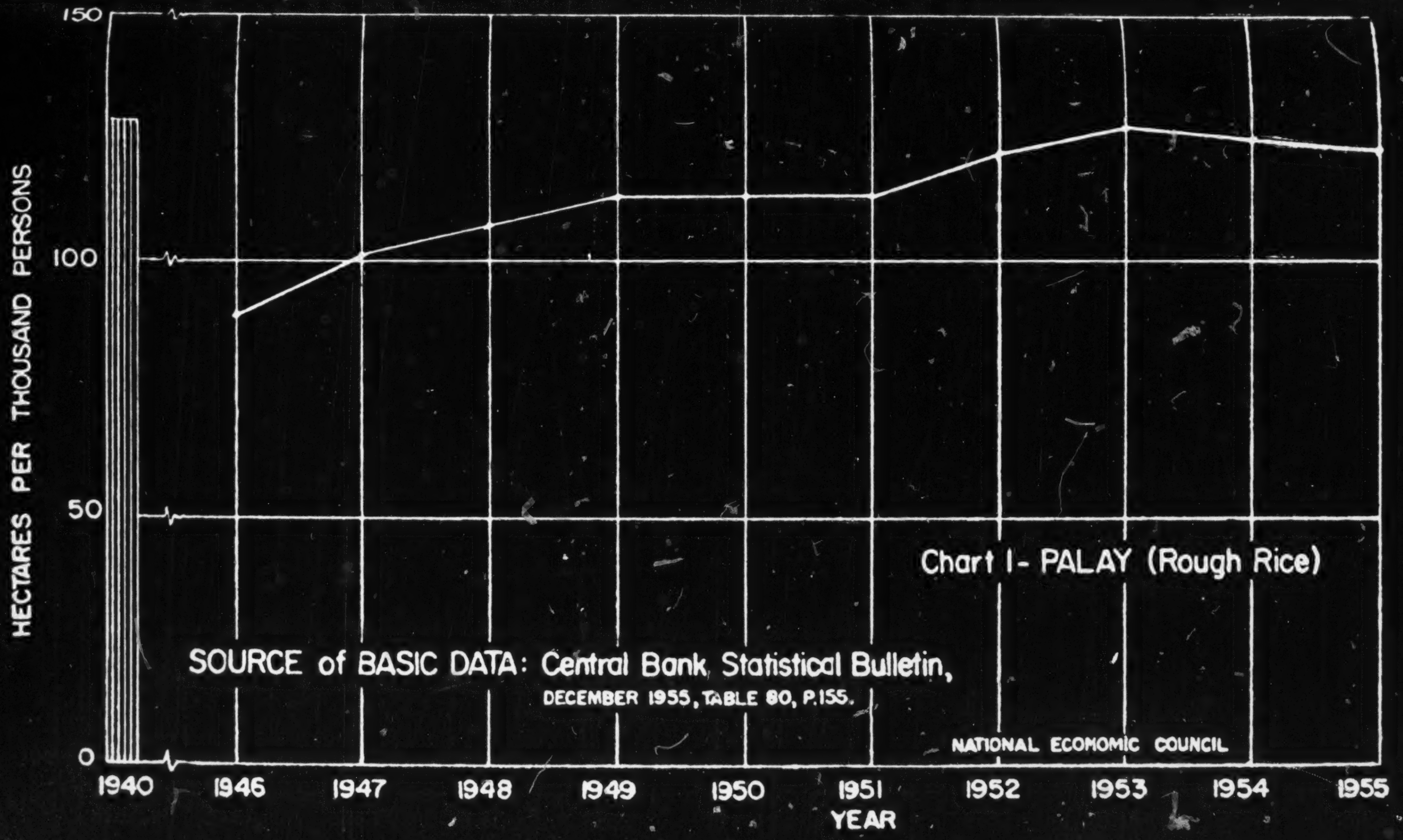


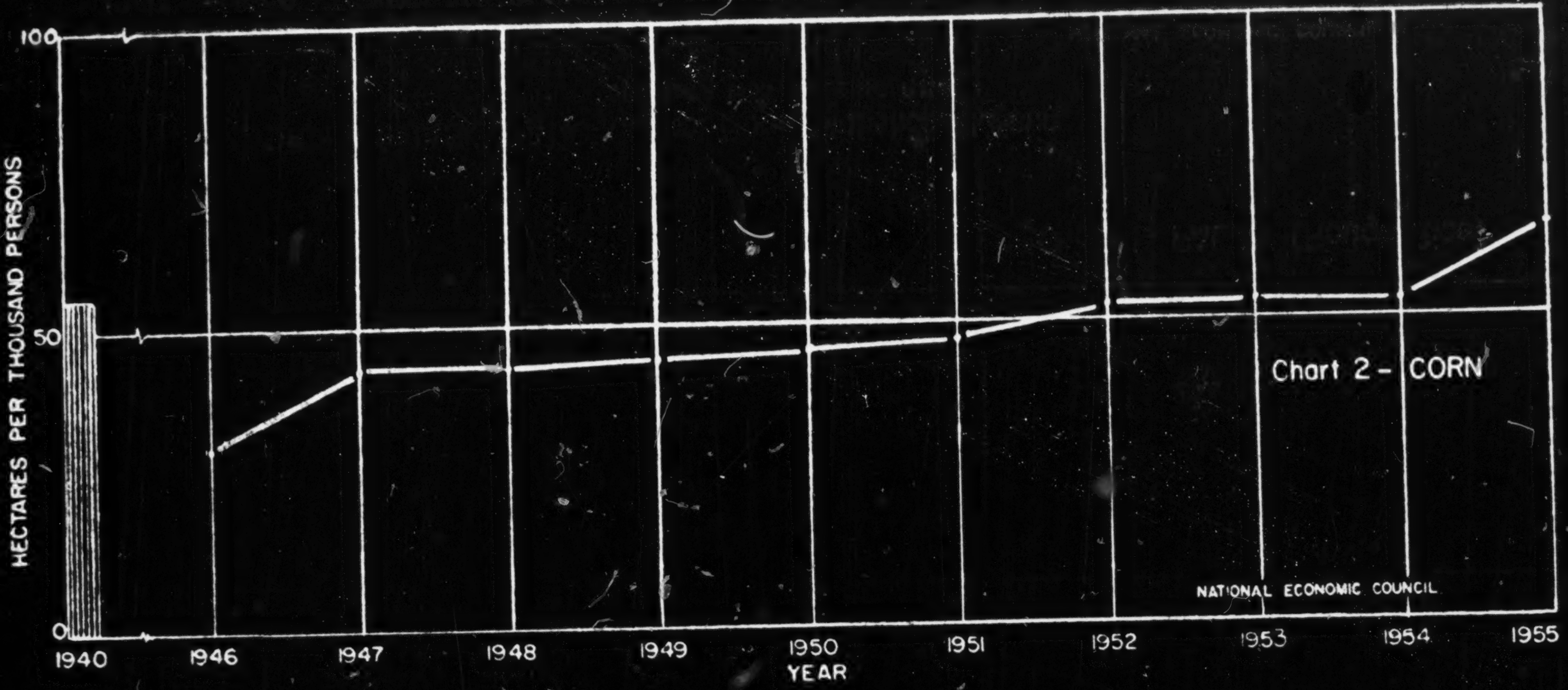
Chart 1- PALAY (Rough Rice)

SOURCE of BASIC DATA: Central Bank Statistical Bulletin,
DECEMBER 1955, TABLE 80, P.155.

NATIONAL ECONOMIC COUNCIL

APPENDIX 1-03

AREA UNDER CULTIVATION PER THOUSAND POPULATION



SOURCE of BASIC DATA: Central Bank Statistical Bulletin
DECEMBER 1955, TABLE 80 P 155.

APPENDIX I-03

AREA UNDER CULTIVATION PER THOUSAND POPULATION

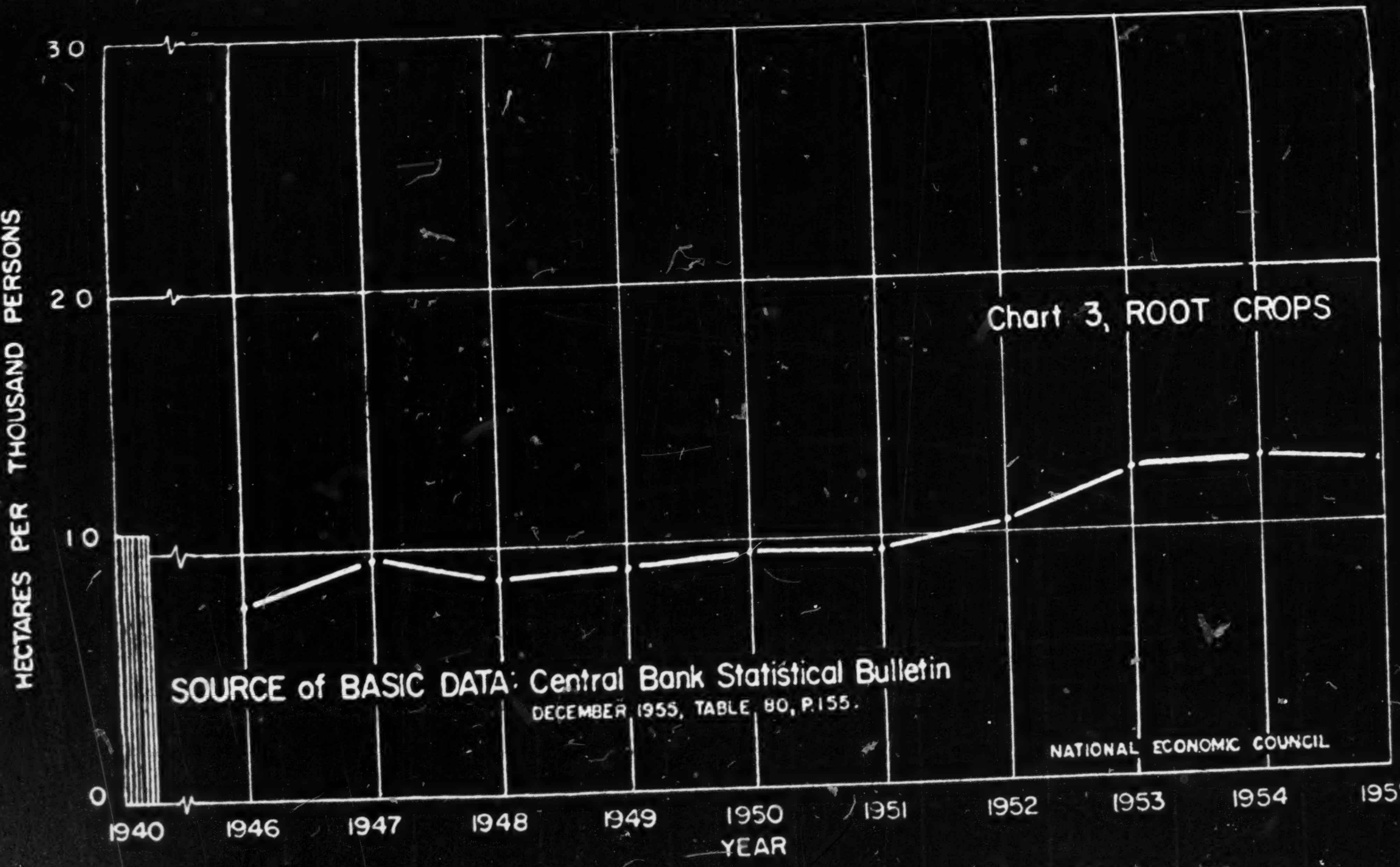


Chart 3, ROOT CROPS

SOURCE of BASIC DATA: Central Bank Statistical Bulletin
DECEMBER 1955, TABLE 80, P.155.

NATIONAL ECONOMIC COUNCIL

APPENDIX I-03

AREA UNDER CULTIVATION PER THOUSAND POPULATION

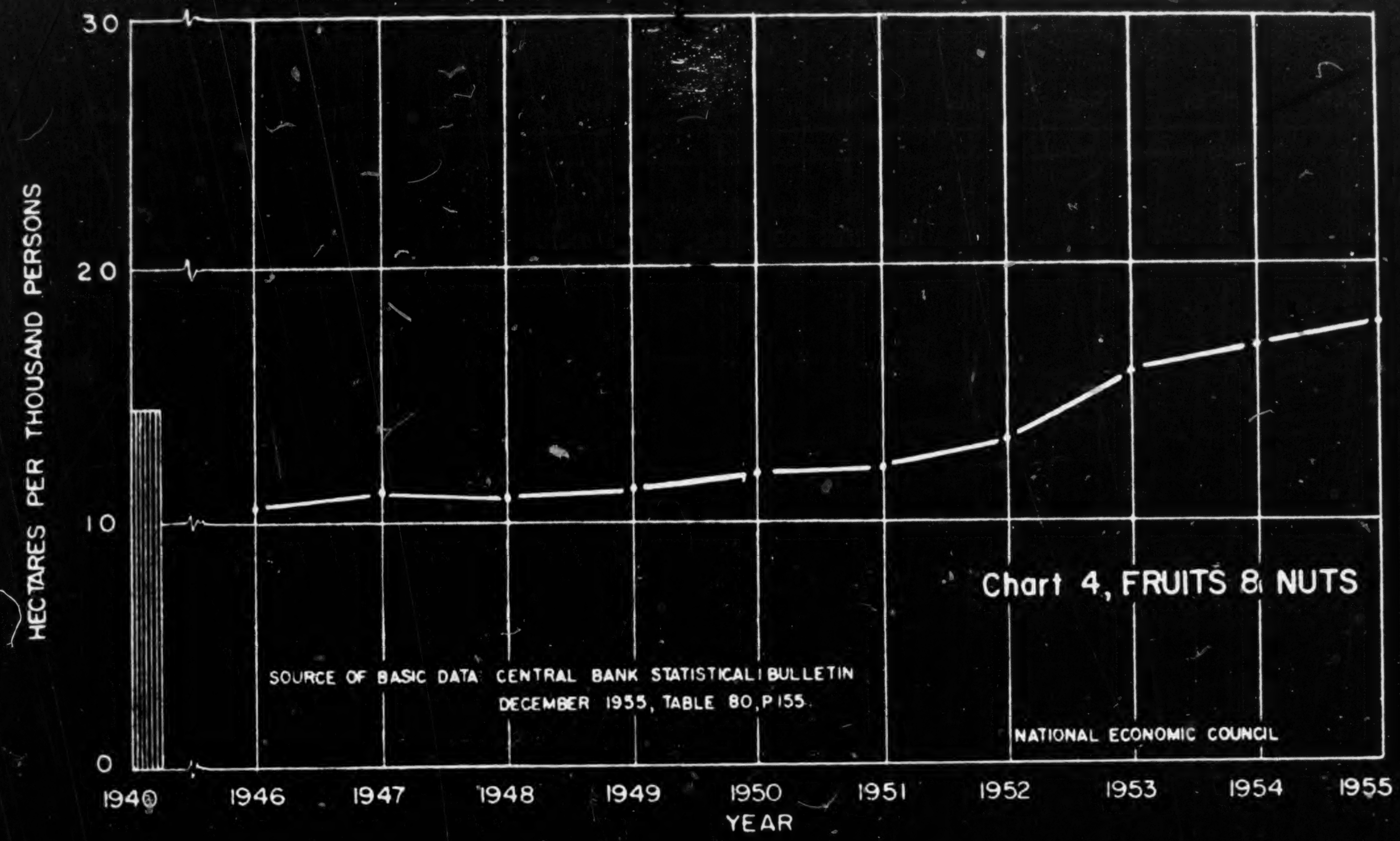


Chart 4, FRUITS & NUTS

SOURCE OF BASIC DATA: CENTRAL BANK STATISTICAL BULLETIN
DECEMBER 1955, TABLE 80, P 155.

NATIONAL ECONOMIC COUNCIL

APPENDIX 1-03

AREA UNDER CULTIVATION PER THOUSAND POPULATION

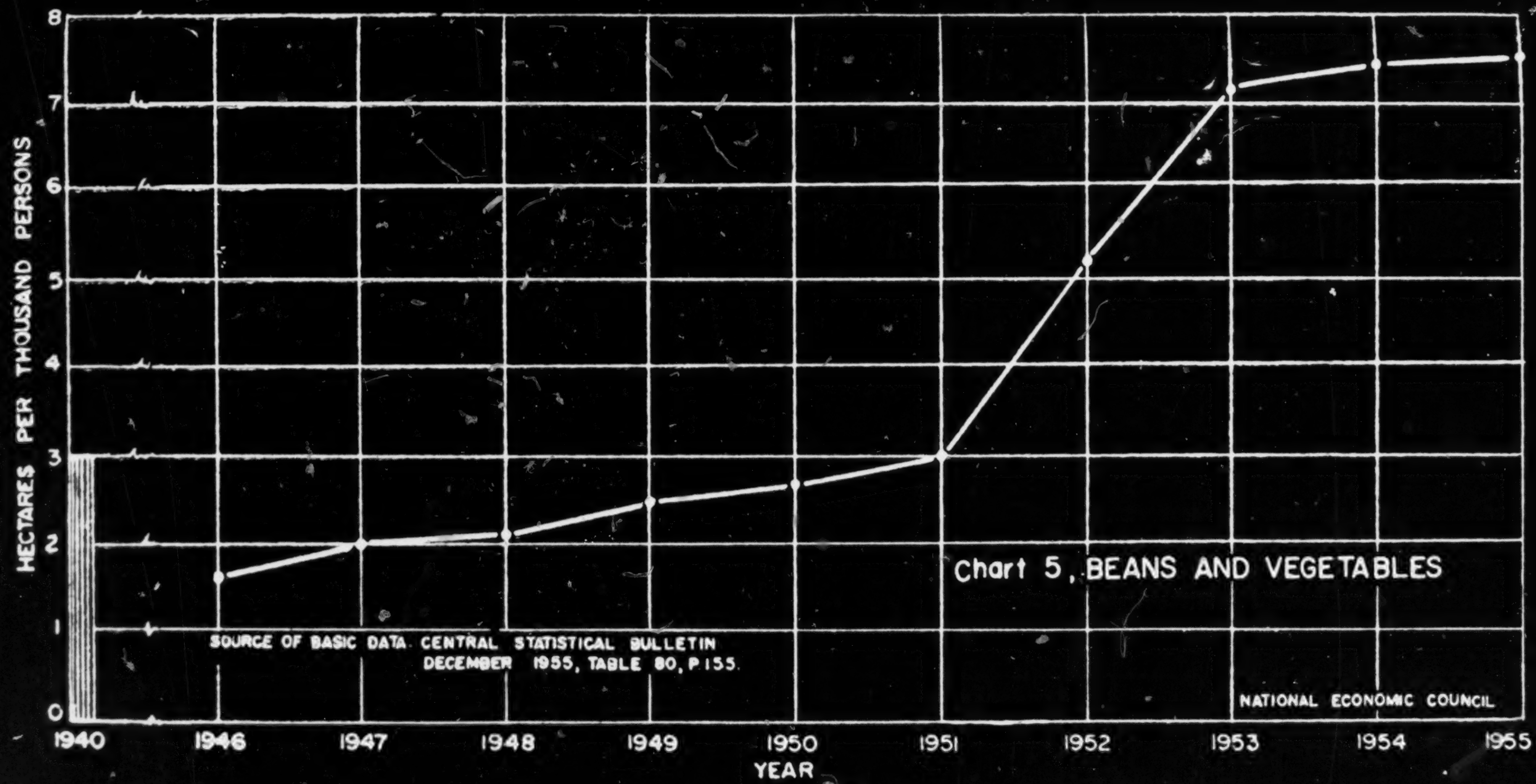


Chart 5, BEANS AND VEGETABLES

SOURCE OF BASIC DATA CENTRAL STATISTICAL BULLETIN
DECEMBER 1955, TABLE 80, P 155.

NATIONAL ECONOMIC COUNCIL

APPENDIX 1-03
AREA UNDER CULTIVATION PER THOUSAND POPULATION

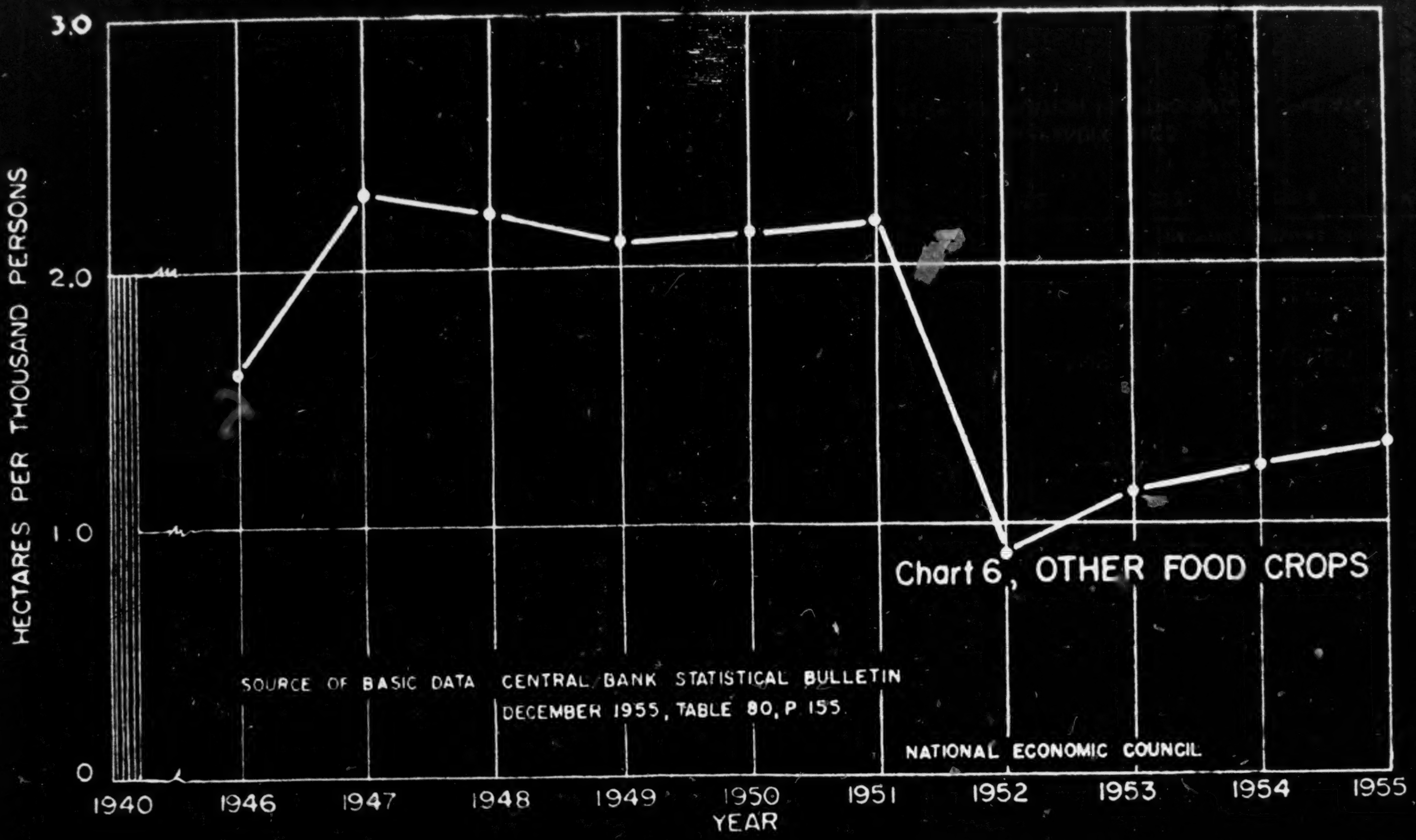


Chart 6, OTHER FOOD CROPS

SOURCE OF BASIC DATA CENTRAL BANK STATISTICAL BULLETIN
DECEMBER 1955, TABLE 80, P 155

NATIONAL ECONOMIC COUNCIL

APPENDIX I-03

AREA UNDER CULTIVATION PER THOUSAND POPULATION

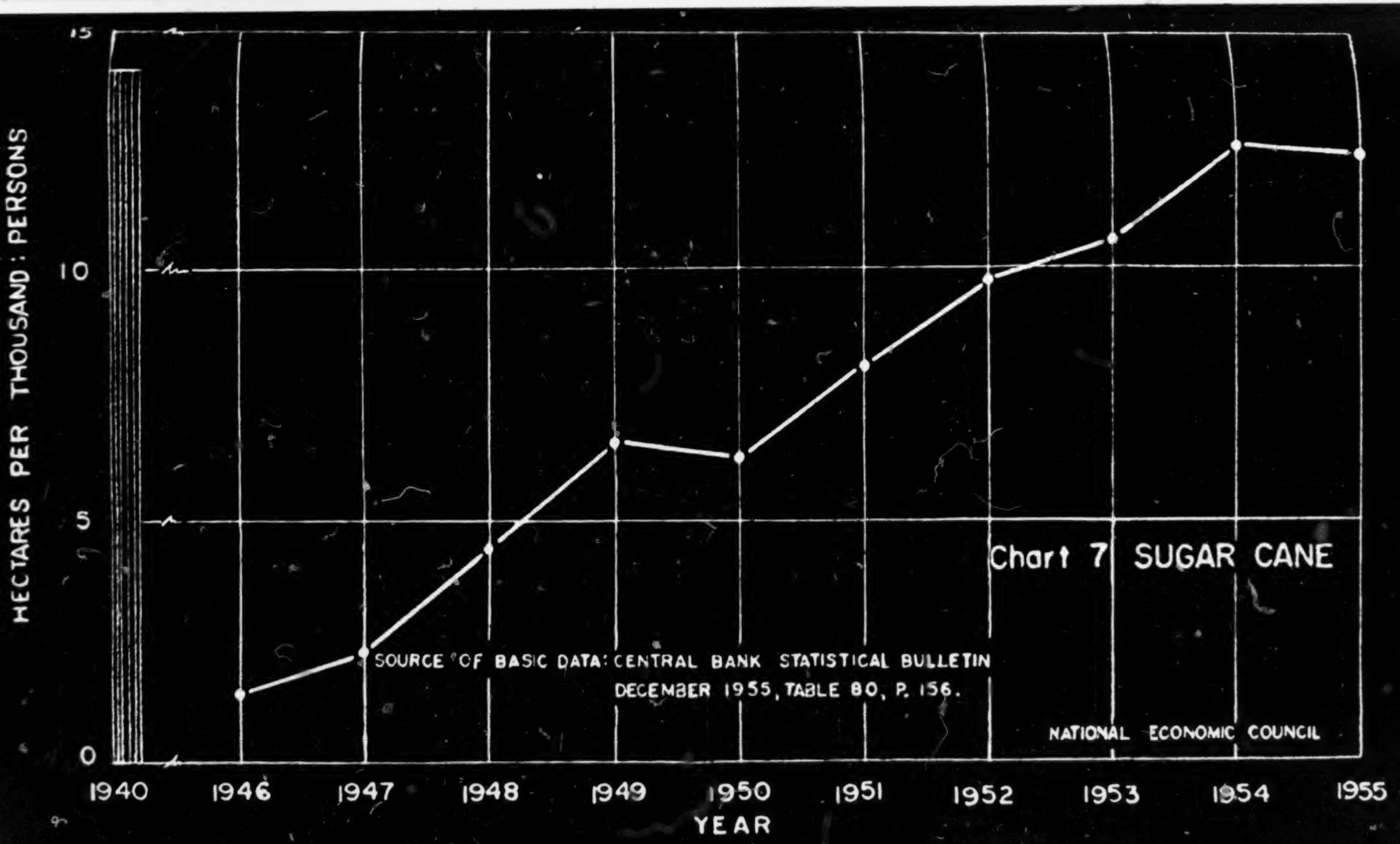


Chart 7 SUGAR CANE

SOURCE OF BASIC DATA: CENTRAL BANK STATISTICAL BULLETIN DECEMBER 1955, TABLE 80, P. 156.

NATIONAL ECONOMIC COUNCIL

APPENDIX 1-03

AREA UNDER CULTIVATION PER THOUSAND POPULATION

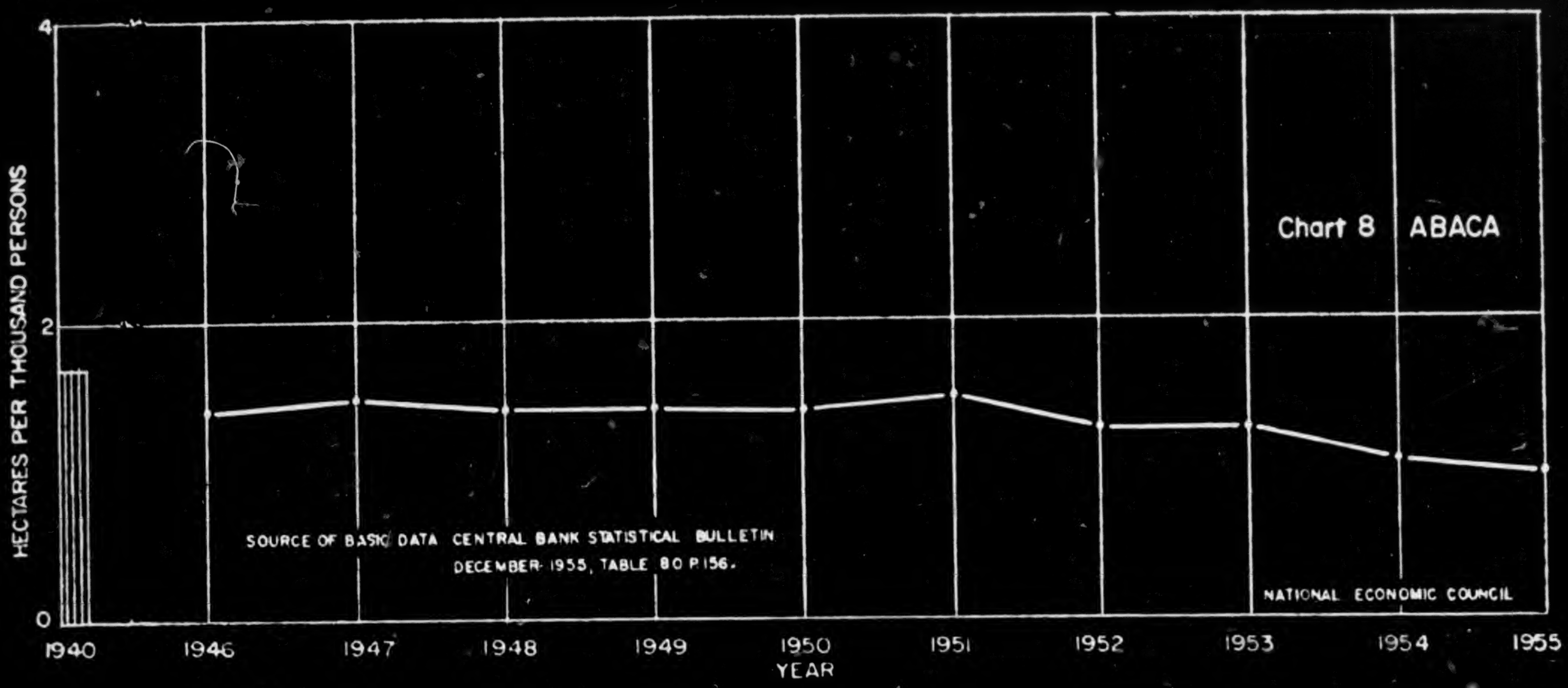


Chart 8 ABACA

SOURCE OF BASIC DATA CENTRAL BANK STATISTICAL BULLETIN DECEMBER 1955, TABLE 80 P.156.

NATIONAL ECONOMIC COUNCIL

APPENDIX I-03

AREA UNDER CULTIVATION PER THOUSAND POPULATION

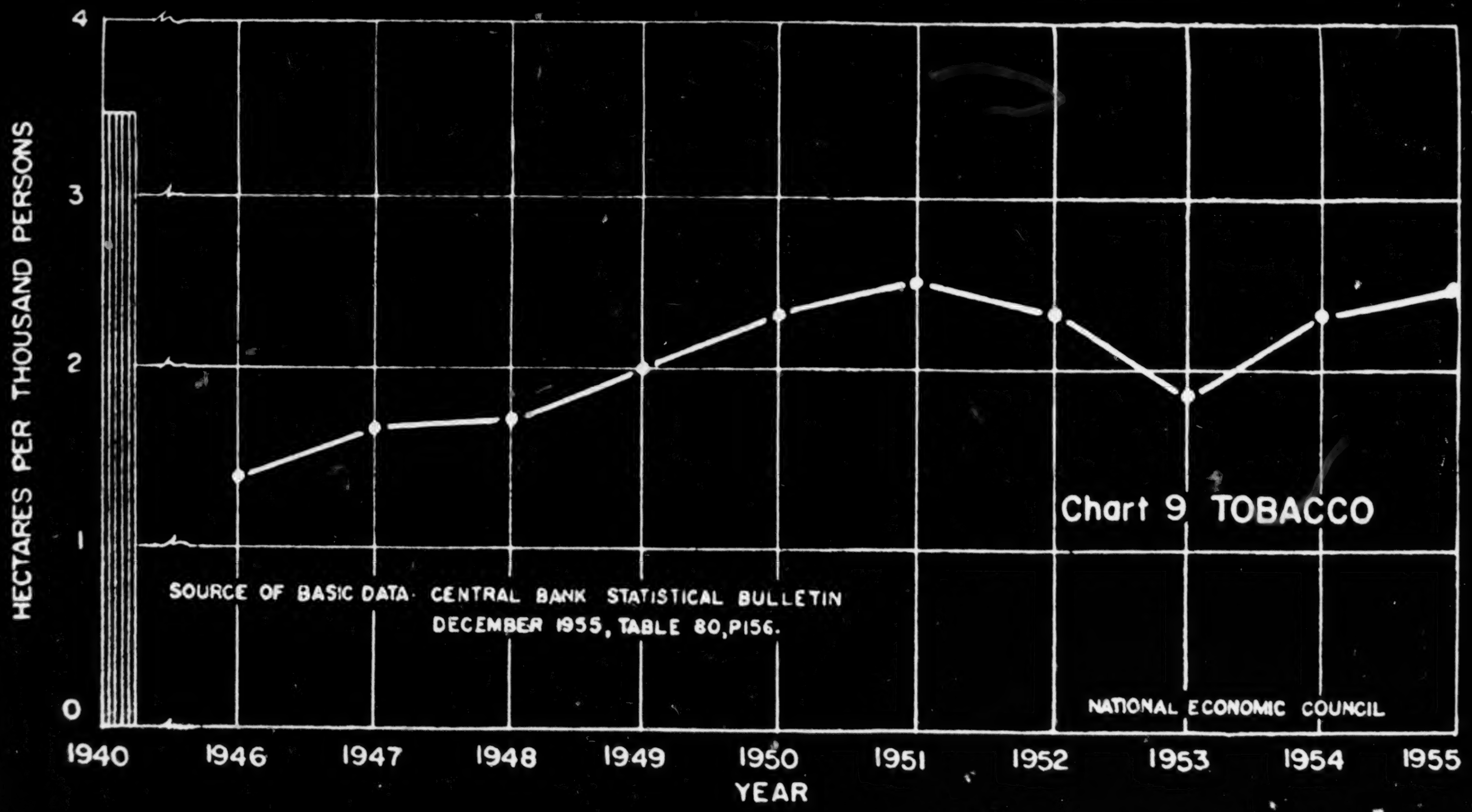


Chart 9 TOBACCO

SOURCE OF BASIC DATA · CENTRAL BANK STATISTICAL BULLETIN DECEMBER 1955, TABLE 80, P156.

NATIONAL ECONOMIC COUNCIL

APPENDIX 1-03

AREA UNDER CULTIVATION PER THOUSAND POPULATION

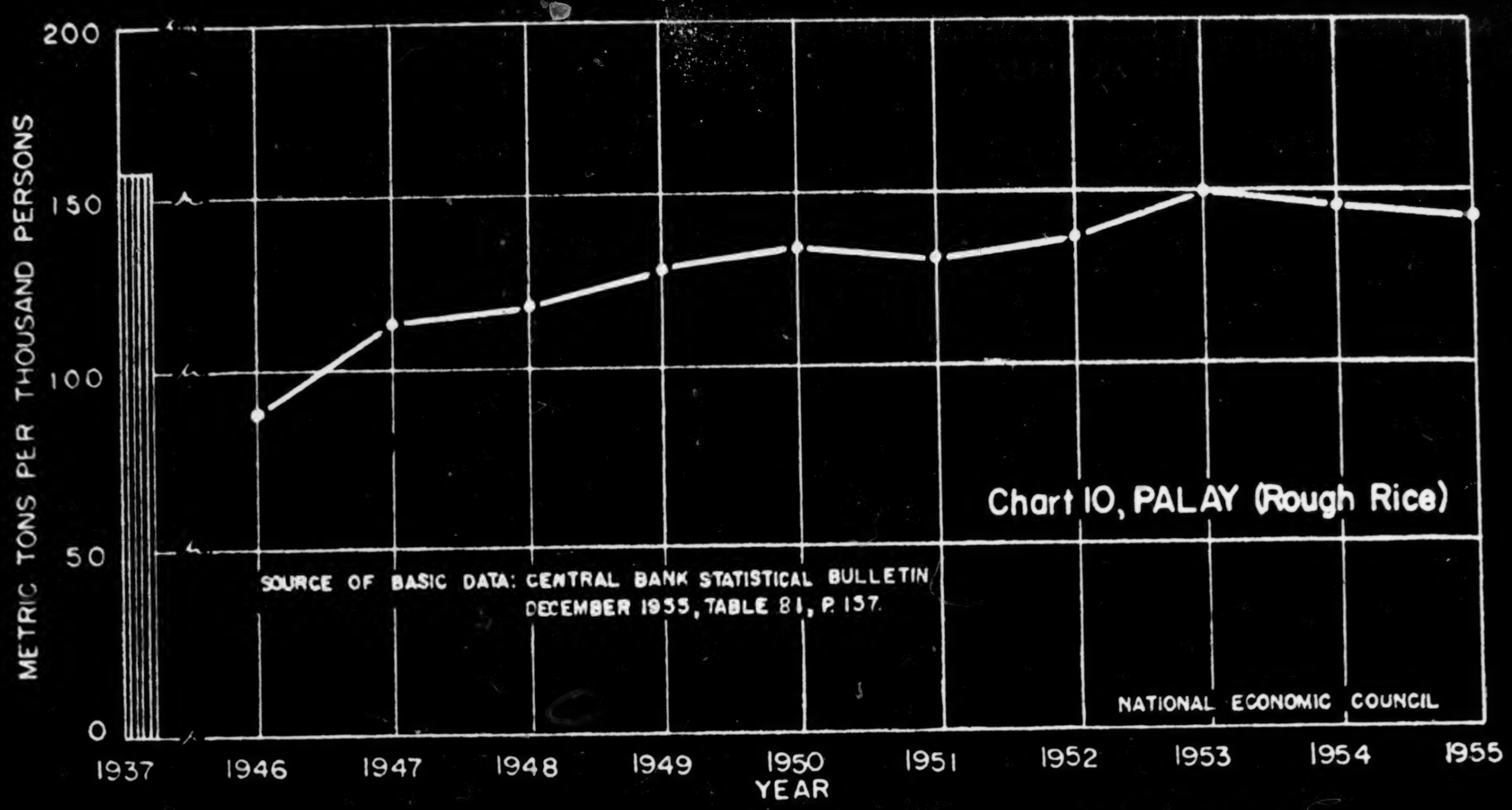


Chart 10, PALAY (Rough Rice)

SOURCE OF BASIC DATA: CENTRAL BANK STATISTICAL BULLETIN DECEMBER 1955, TABLE 81, P. 137.

NATIONAL ECONOMIC COUNCIL

APPENDIX 1-04
PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION

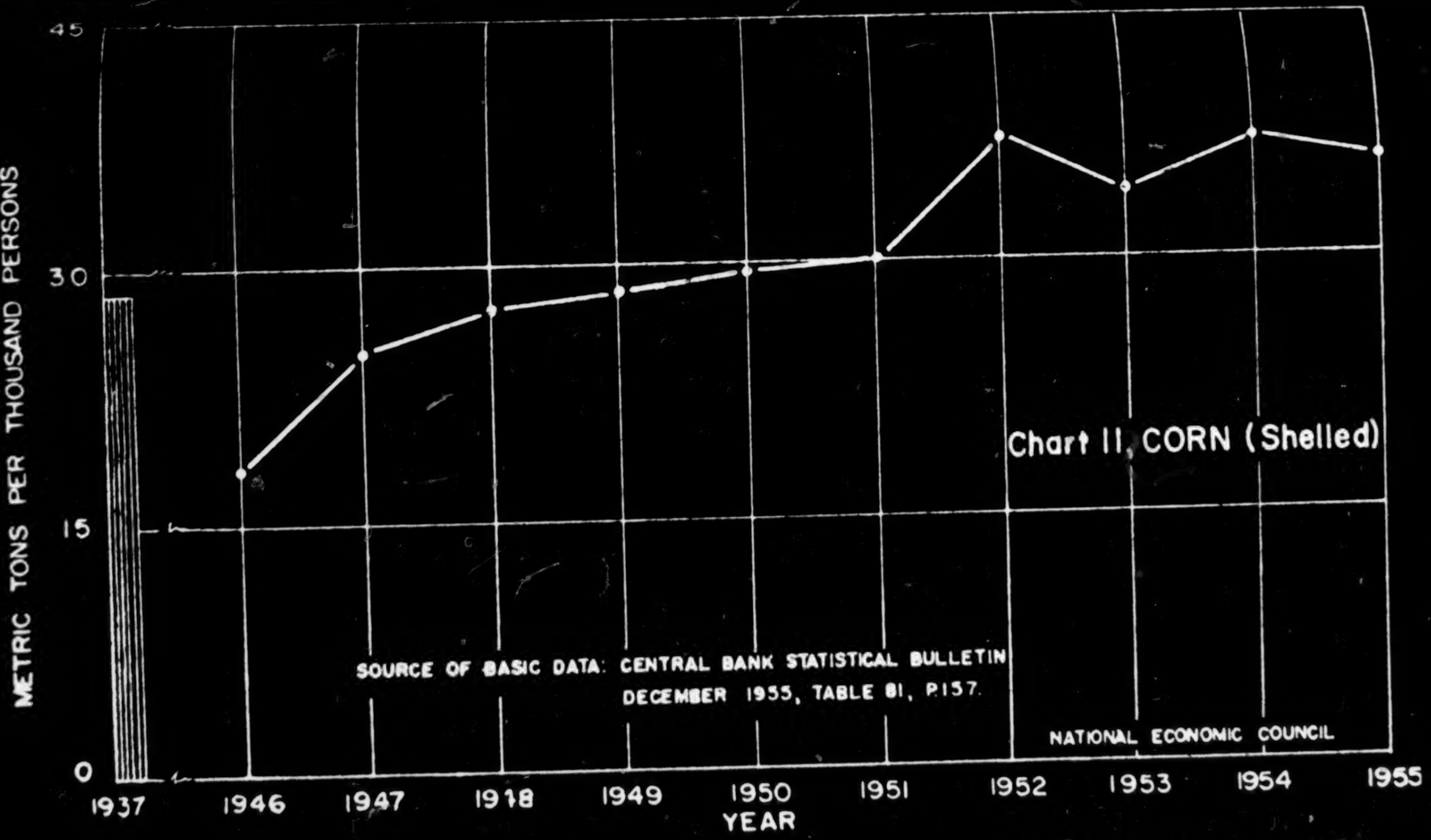


Chart 11 CORN (Shelled)

SOURCE OF BASIC DATA: CENTRAL BANK STATISTICAL BULLETIN DECEMBER 1955, TABLE 81, P.157.

NATIONAL ECONOMIC COUNCIL

APPENDIX 1-04
PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION

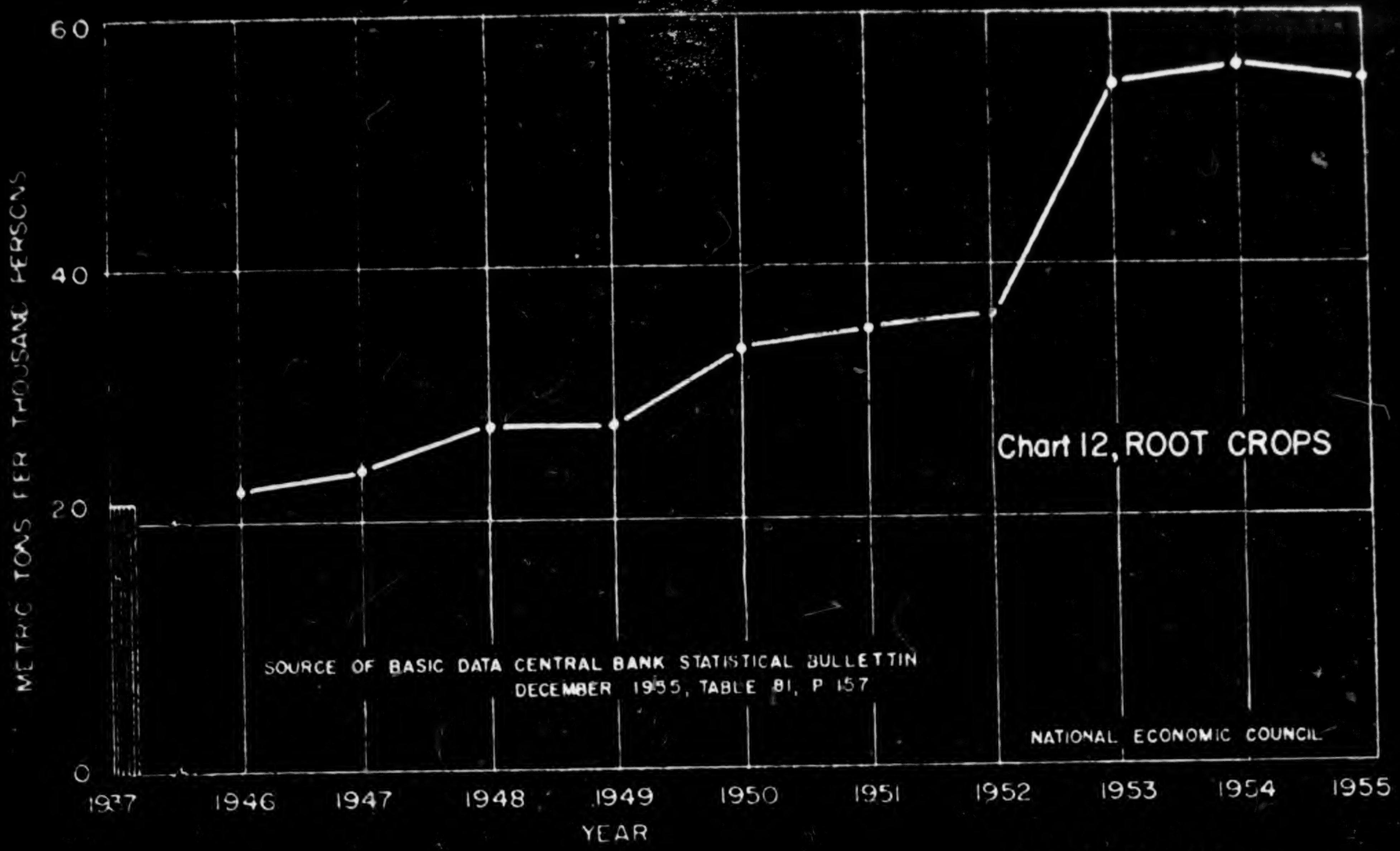


Chart 12, ROOT CROPS

SOURCE OF BASIC DATA CENTRAL BANK STATISTICAL BULLETTIN
DECEMBER 1955, TABLE 81, P 157

NATIONAL ECONOMIC COUNCIL

APPENDIX I-04
PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION

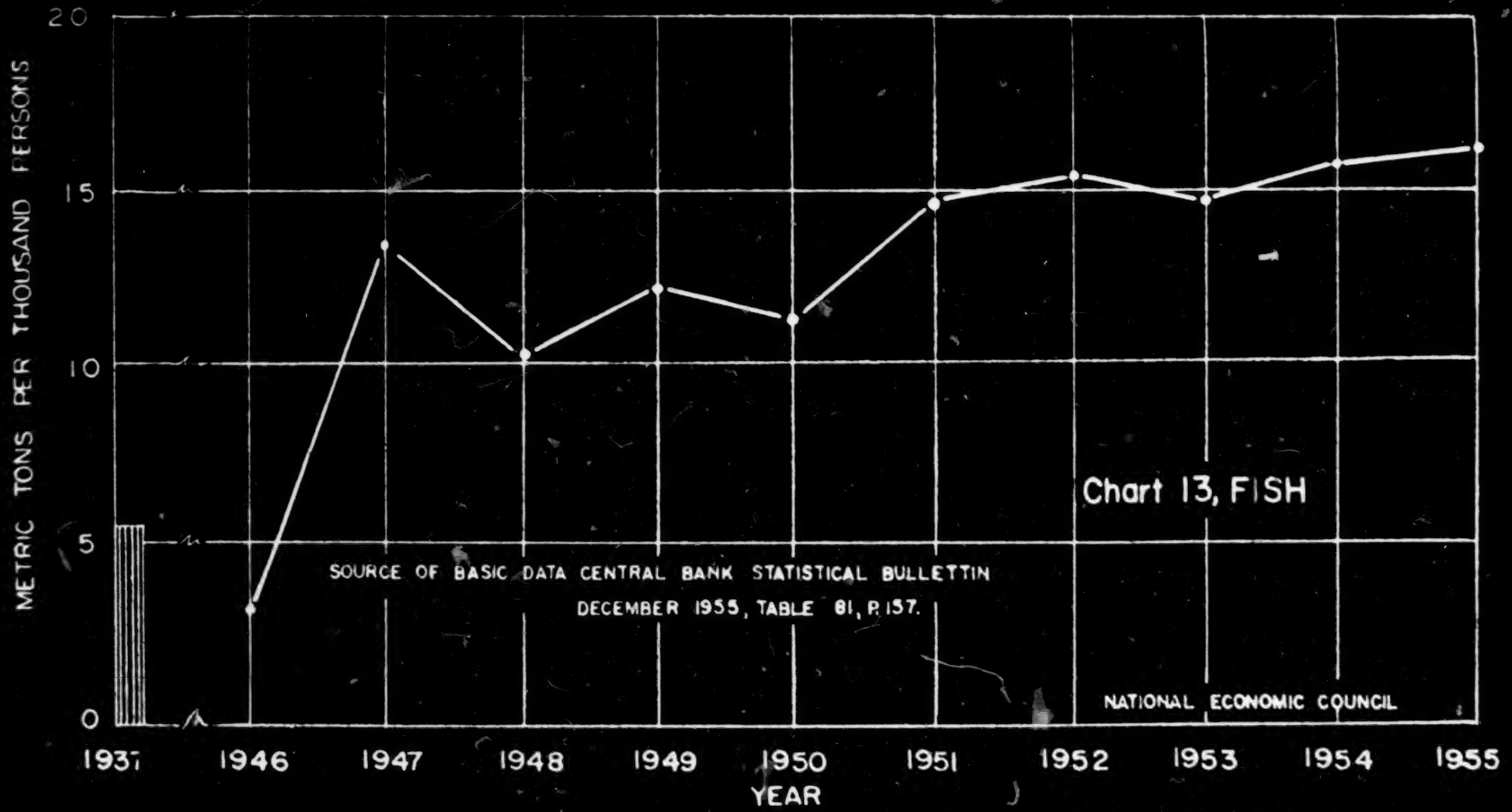


Chart 13, FISH

SOURCE OF BASIC DATA CENTRAL BANK STATISTICAL BULLETTIN DECEMBER 1955, TABLE 81, P. 157.

NATIONAL ECONOMIC COUNCIL

APPENDIX I-04
PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION

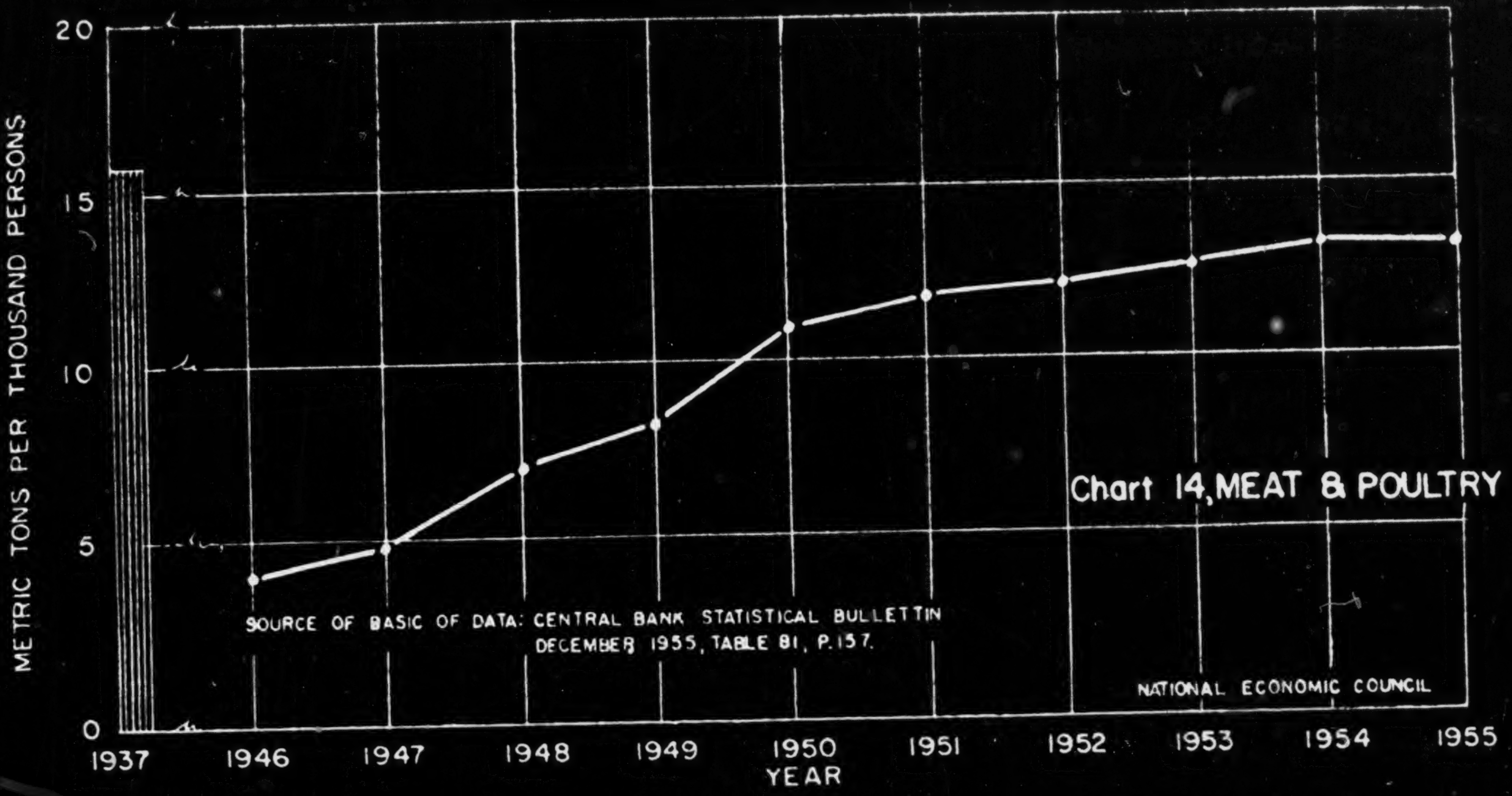


Chart 14, MEAT & POULTRY

SOURCE OF BASIC OF DATA: CENTRAL BANK STATISTICAL BULLETTIN
DECEMBER 1955, TABLE 81, P. 157.

NATIONAL ECONOMIC COUNCIL

**APPENDIX I-04**
PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION

APPENDIX I-04

PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION

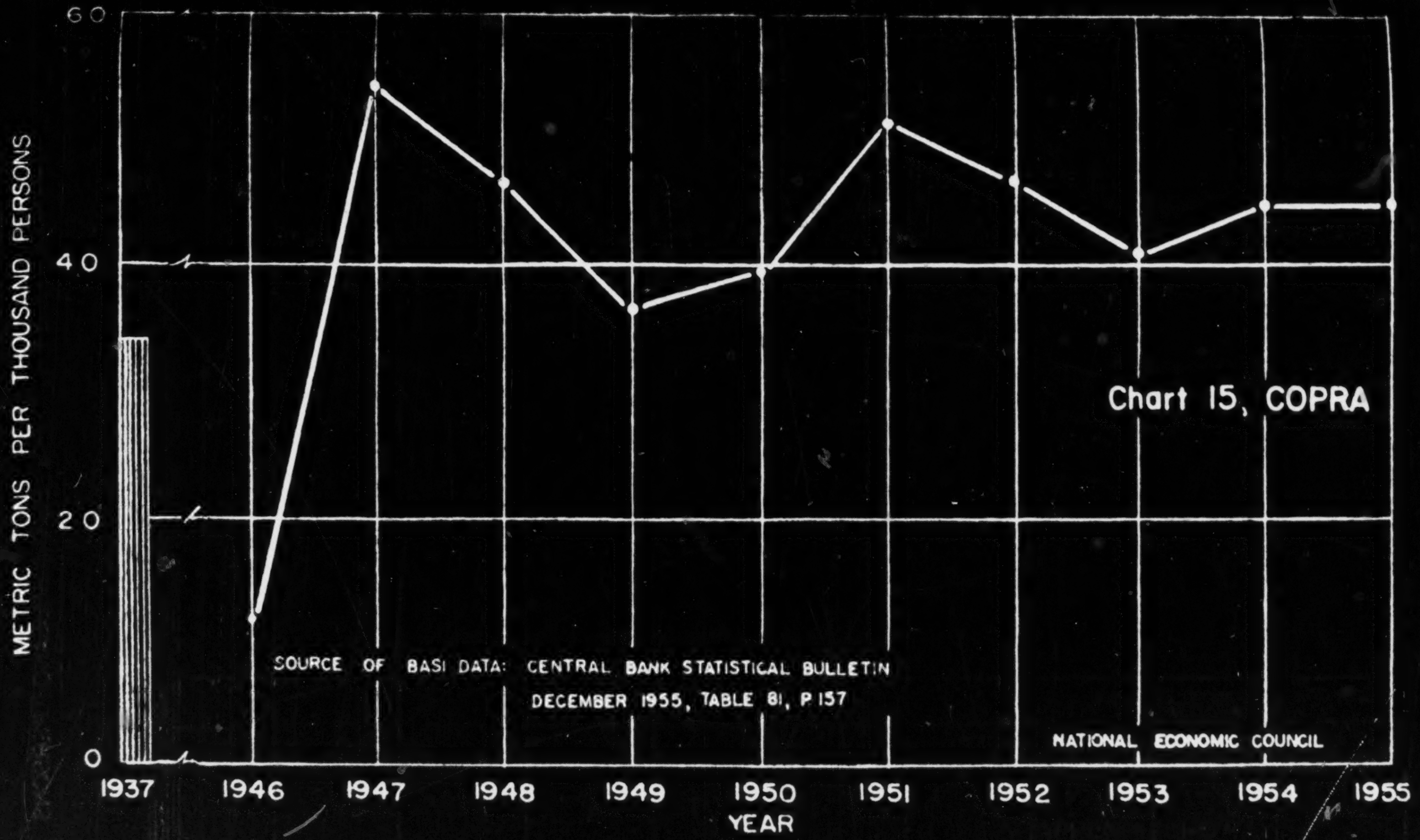


Chart 15, COPRA

SOURCE OF BASI DATA: CENTRAL BANK STATISTICAL BULLETIN DECEMBER 1955, TABLE 81, P 157

NATIONAL ECONOMIC COUNCIL

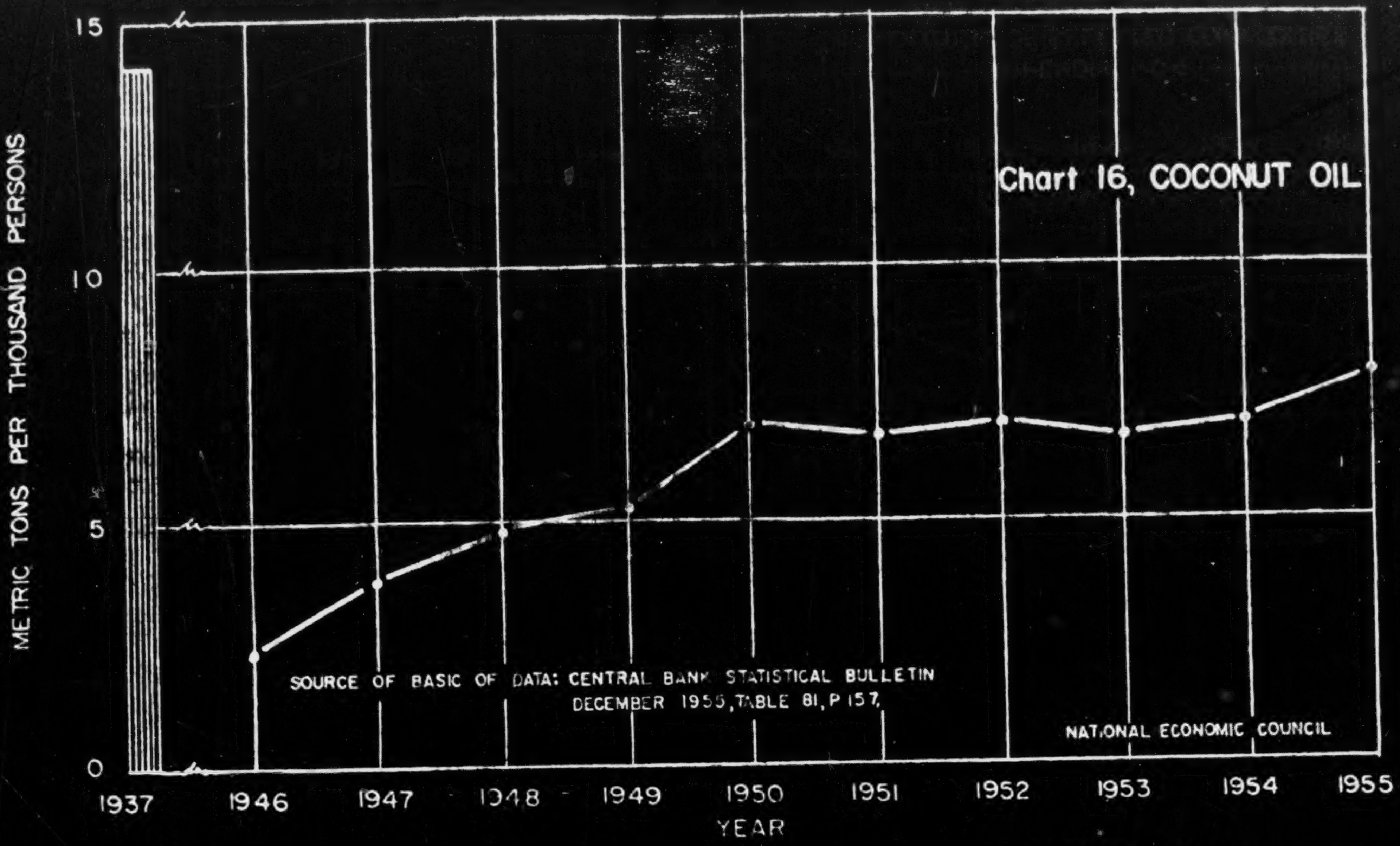


Chart 16, COCONUT OIL

SOURCE OF BASIC OF DATA: CENTRAL BANK STATISTICAL BULLETIN DECEMBER 1955, TABLE 81, P 157,

NATIONAL ECONOMIC COUNCIL

APPENDIX I-04
PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION

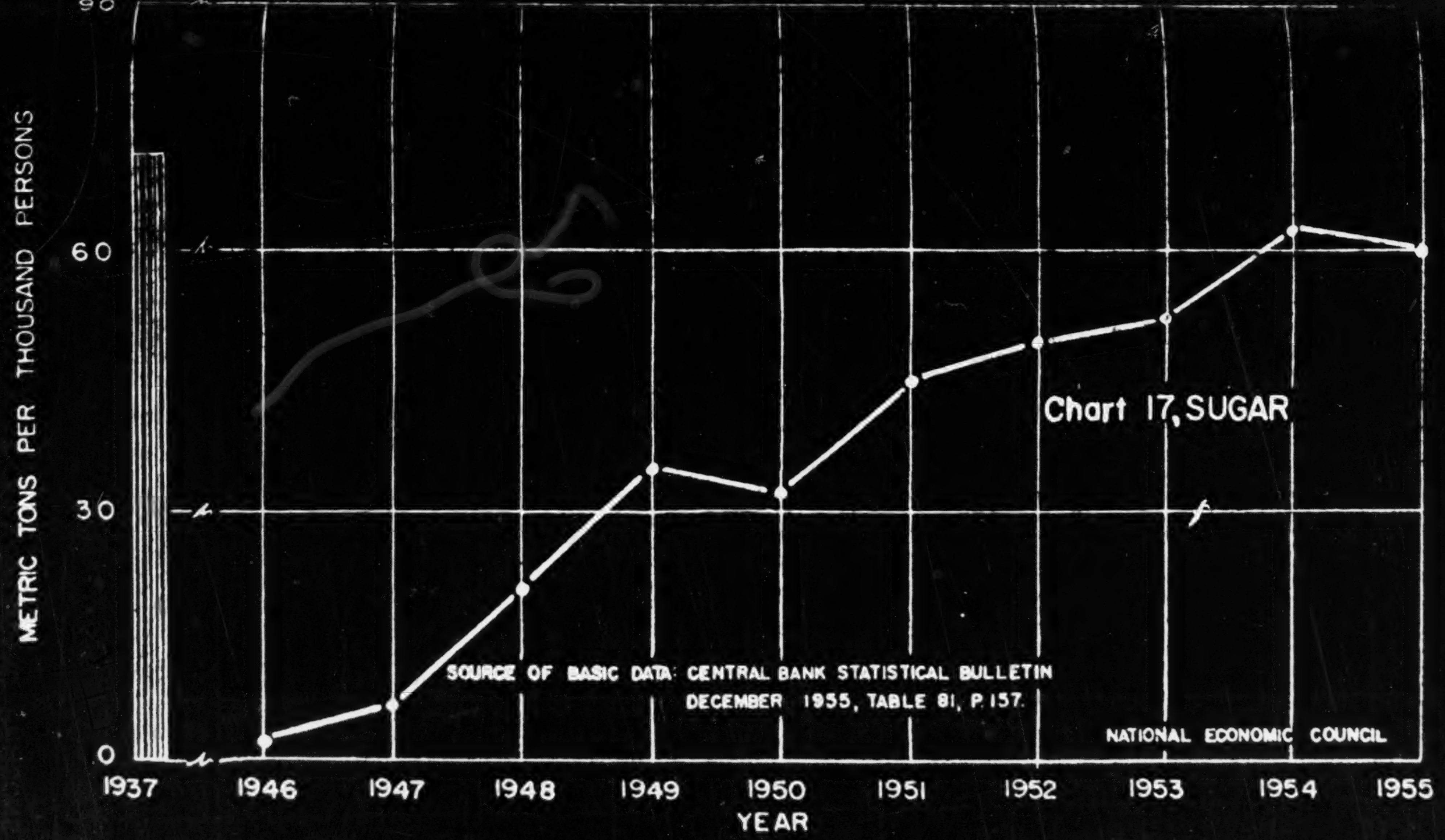


Chart 17, SUGAR

SOURCE OF BASIC DATA: CENTRAL BANK STATISTICAL BULLETIN DECEMBER 1955, TABLE 81, P. 157.

NATIONAL ECONOMIC COUNCIL

APPENDIX I-04
PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION

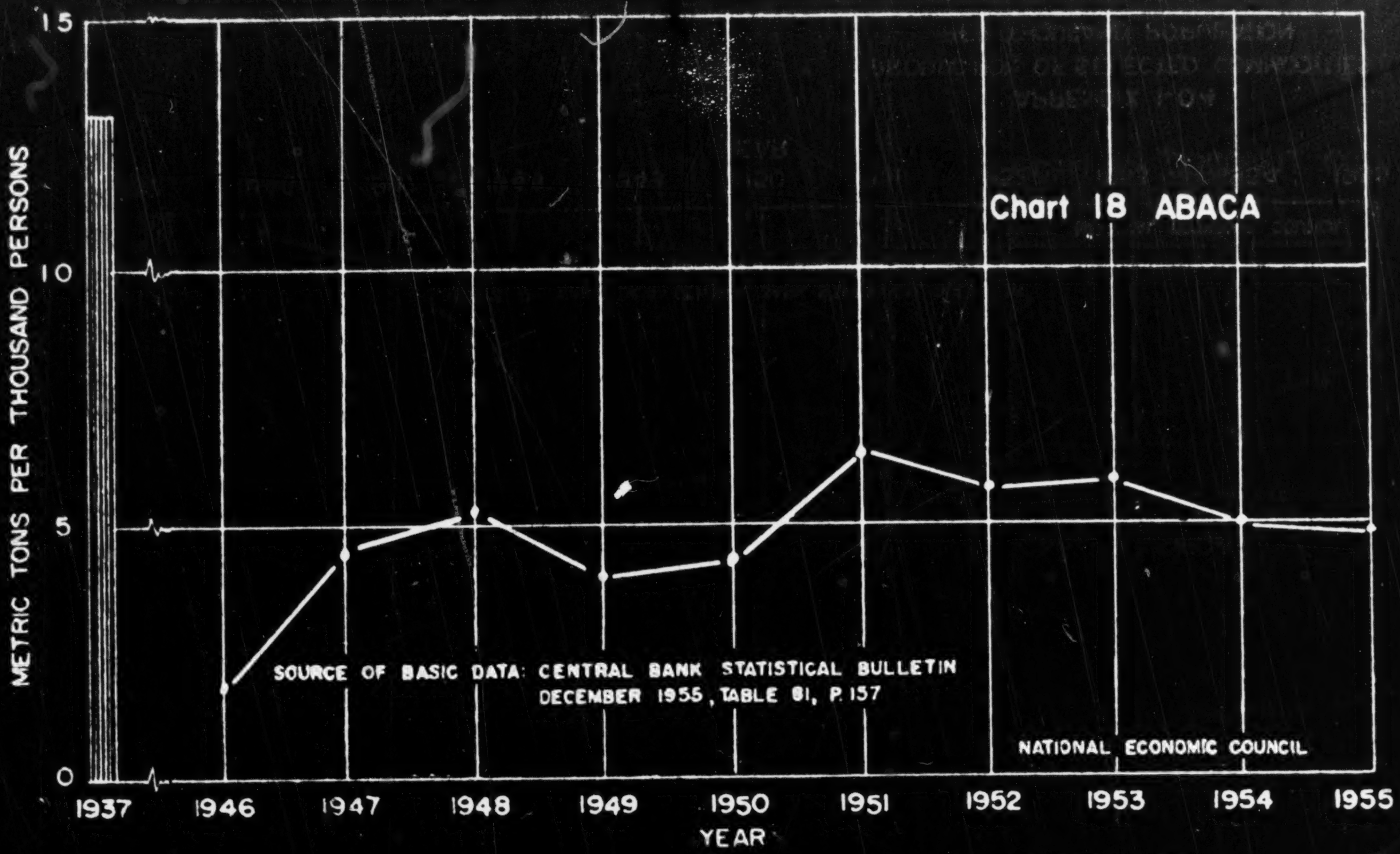


Chart 18 ABACA

SOURCE OF BASIC DATA: CENTRAL BANK STATISTICAL BULLETIN
DECEMBER 1955, TABLE 81, P. 157

APPENDIX 1-04
PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION

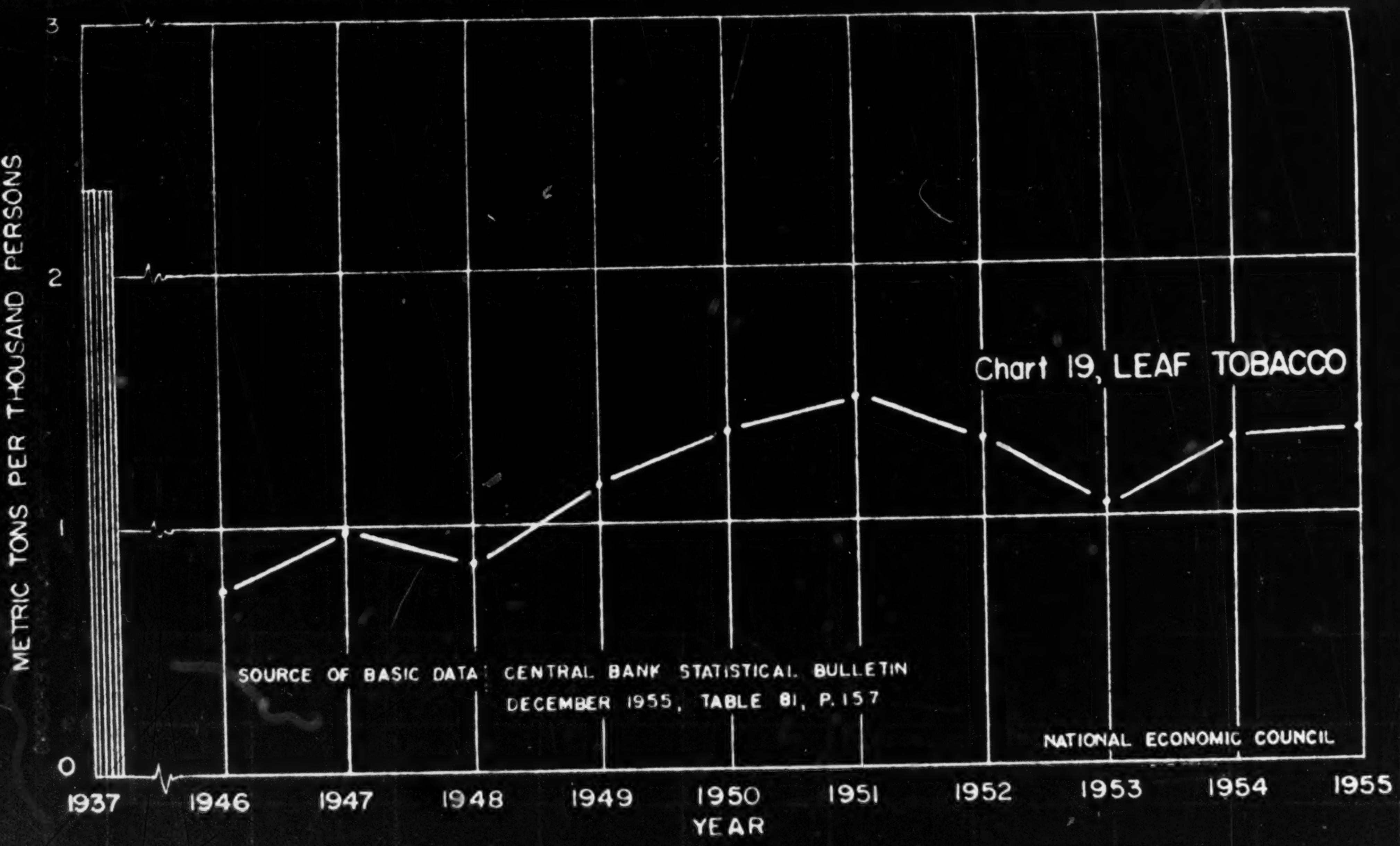


Chart 19, LEAF TOBACCO

SOURCE OF BASIC DATA: CENTRAL BANK STATISTICAL BULLETIN
DECEMBER 1955, TABLE 81, P. 157

NATIONAL ECONOMIC COUNCIL

APPENDIX I-04
PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION

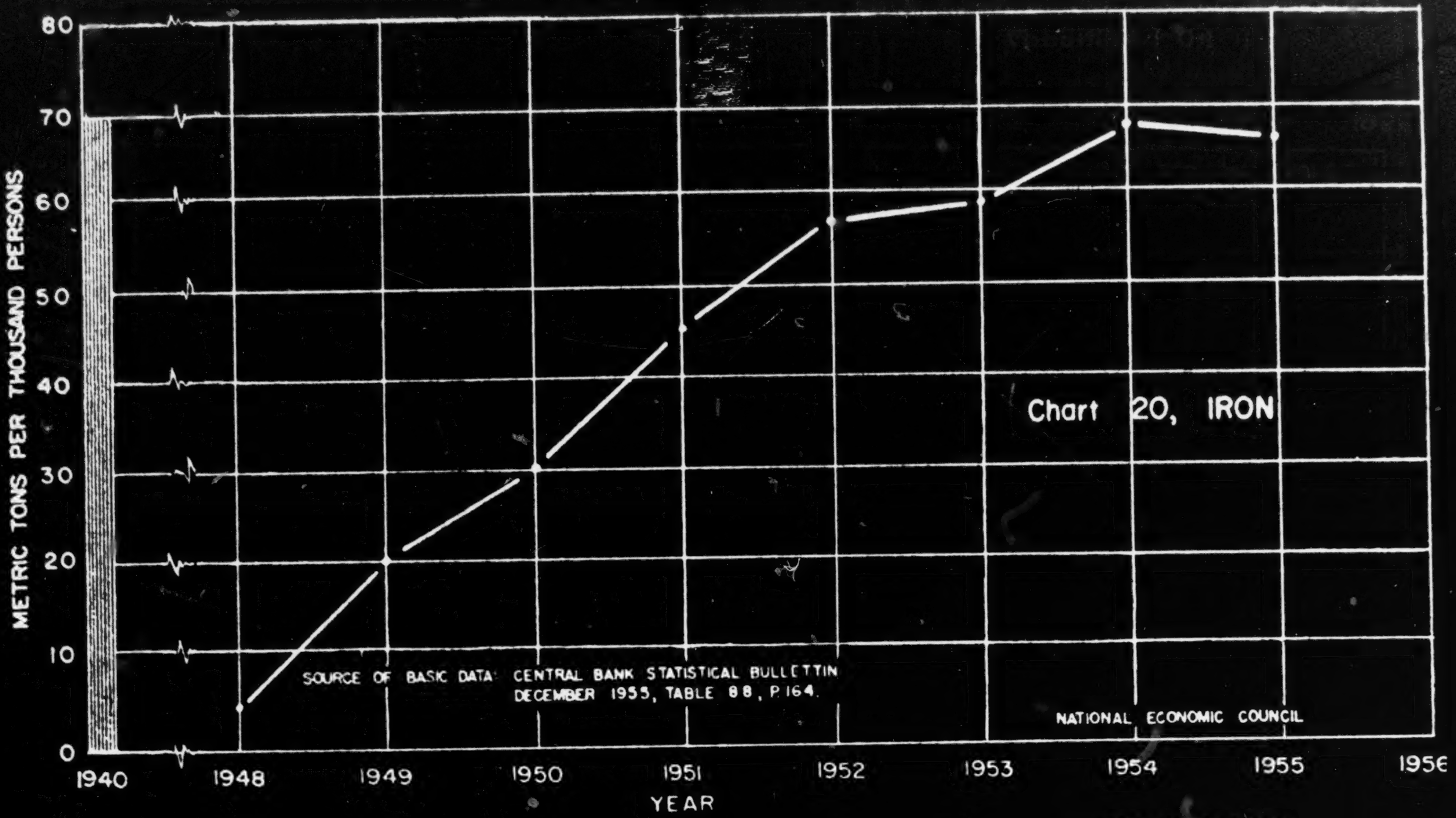
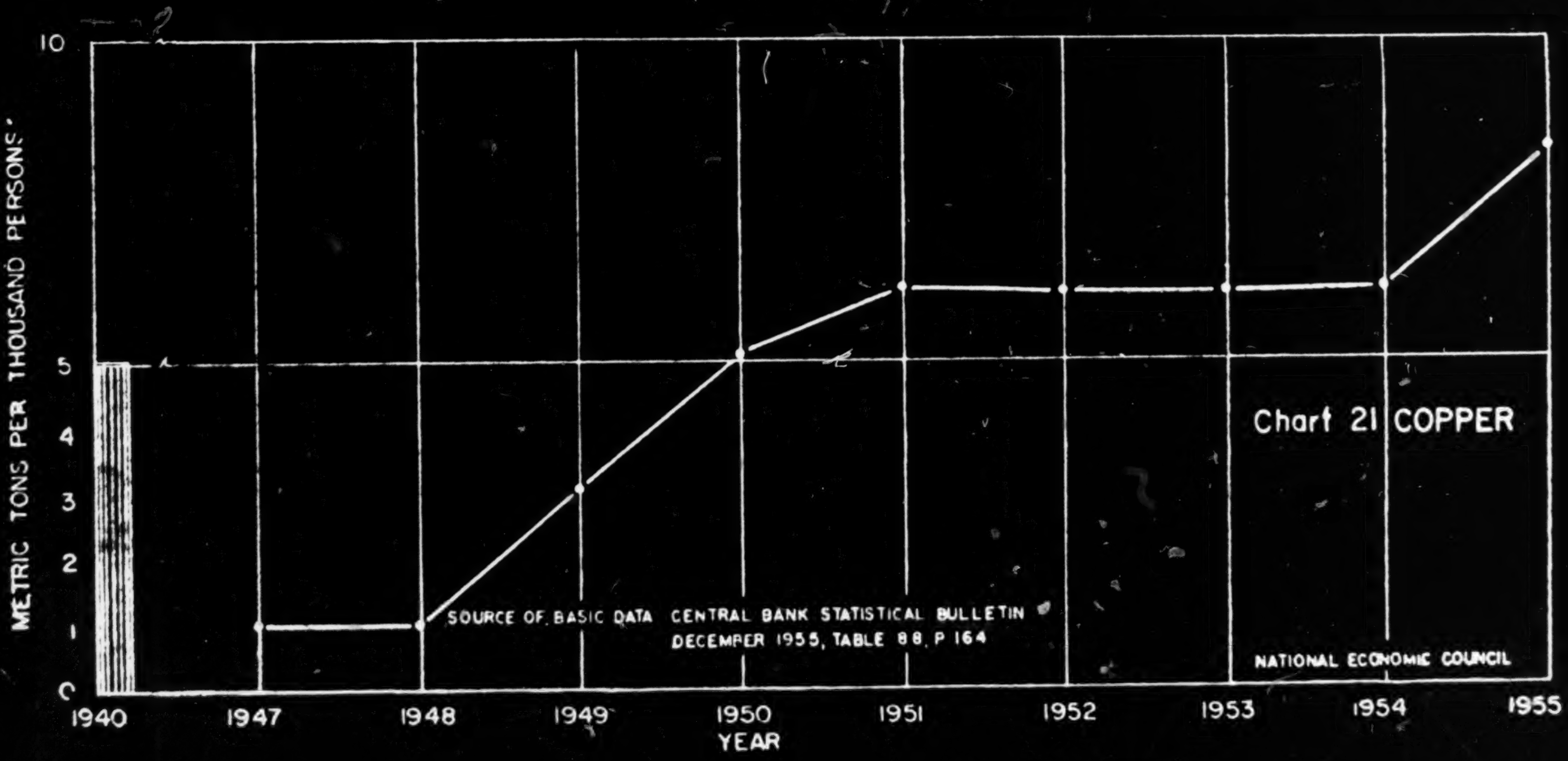


Chart 20, IRON

SOURCE OF BASIC DATA: CENTRAL BANK STATISTICAL BULLETTIN
DECEMBER 1955, TABLE 88, P.164.

NATIONAL ECONOMIC COUNCIL

APPENDIX I-04
PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION



SOURCE OF BASIC DATA CENTRAL BANK STATISTICAL BULLETIN DECEMPER 1955, TABLE 88, P 164

**APPENDIX I-04**
PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION

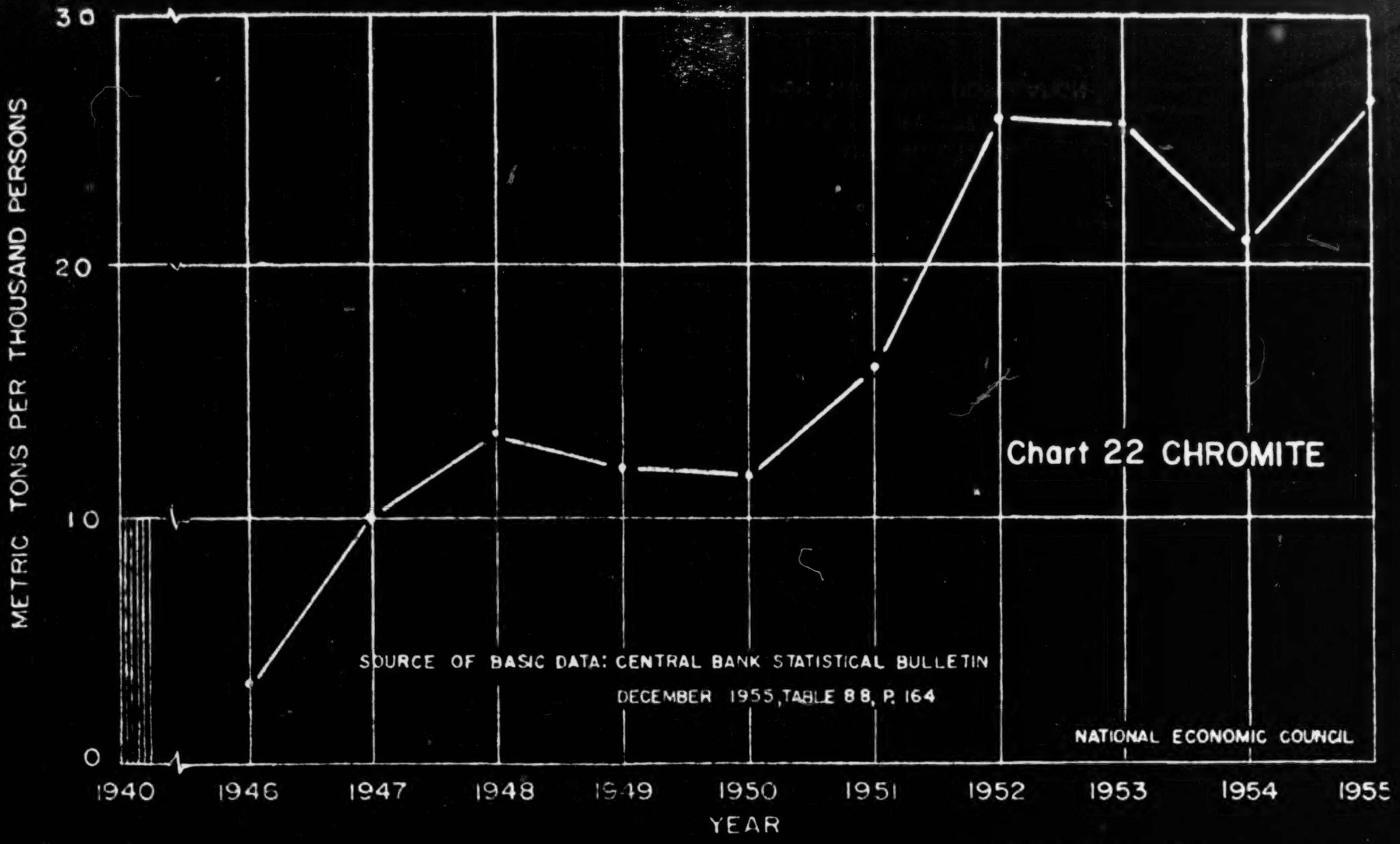


Chart 22 CHROMITE

SOURCE OF BASIC DATA: CENTRAL BANK STATISTICAL BULLETIN
DECEMBER 1955, TABLE 88, P. 164

APPENDIX I-04
PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION

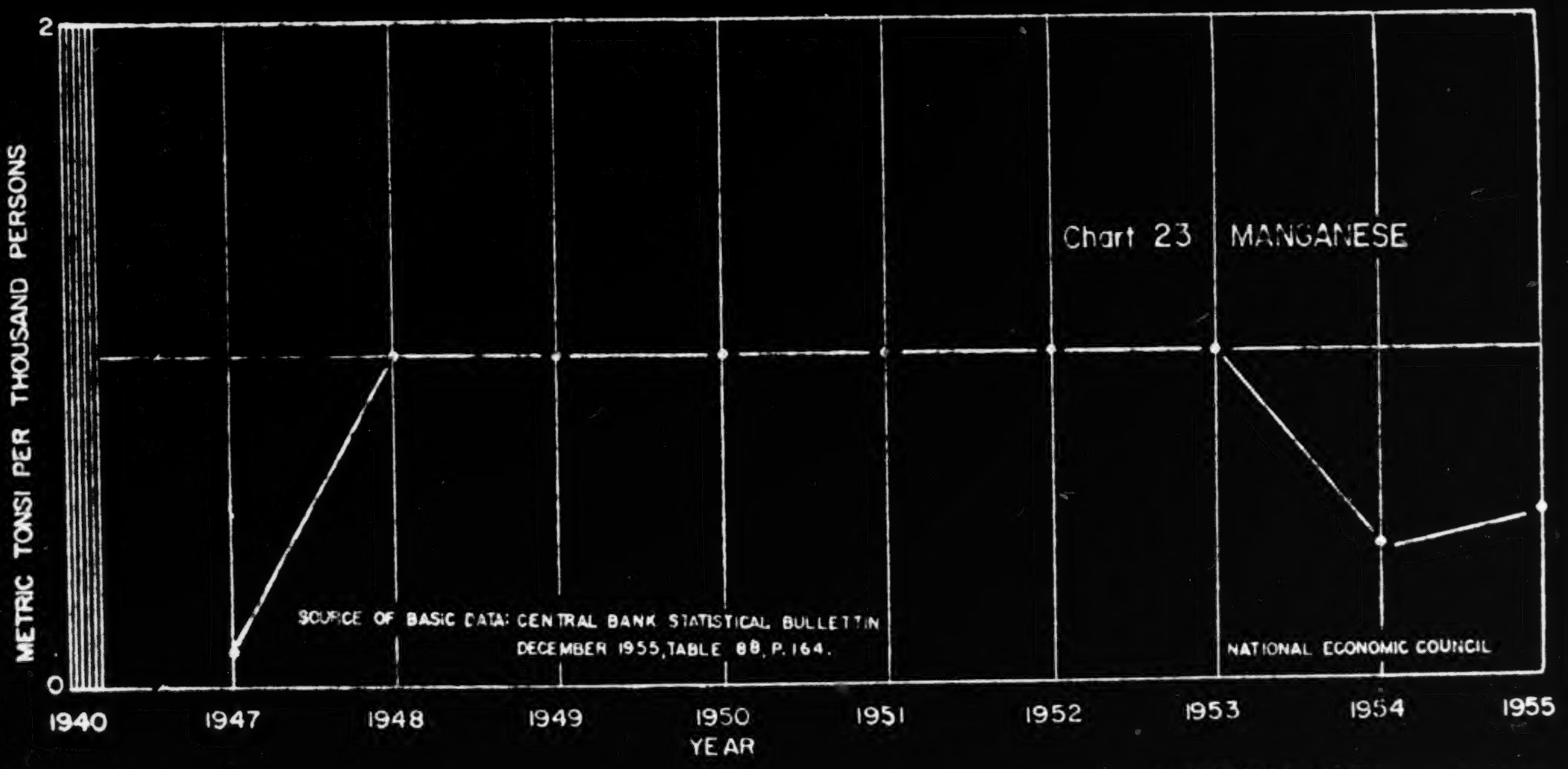


Chart 23 MANGANESE

SOURCE OF BASIC DATA: CENTRAL BANK STATISTICAL BULLETTIN DECEMBER 1955, TABLE 88, P. 164.

APPENDIX I-04
PRODUCTION OF SELECTED COMMODITIES
PER THOUSAND POPULATION

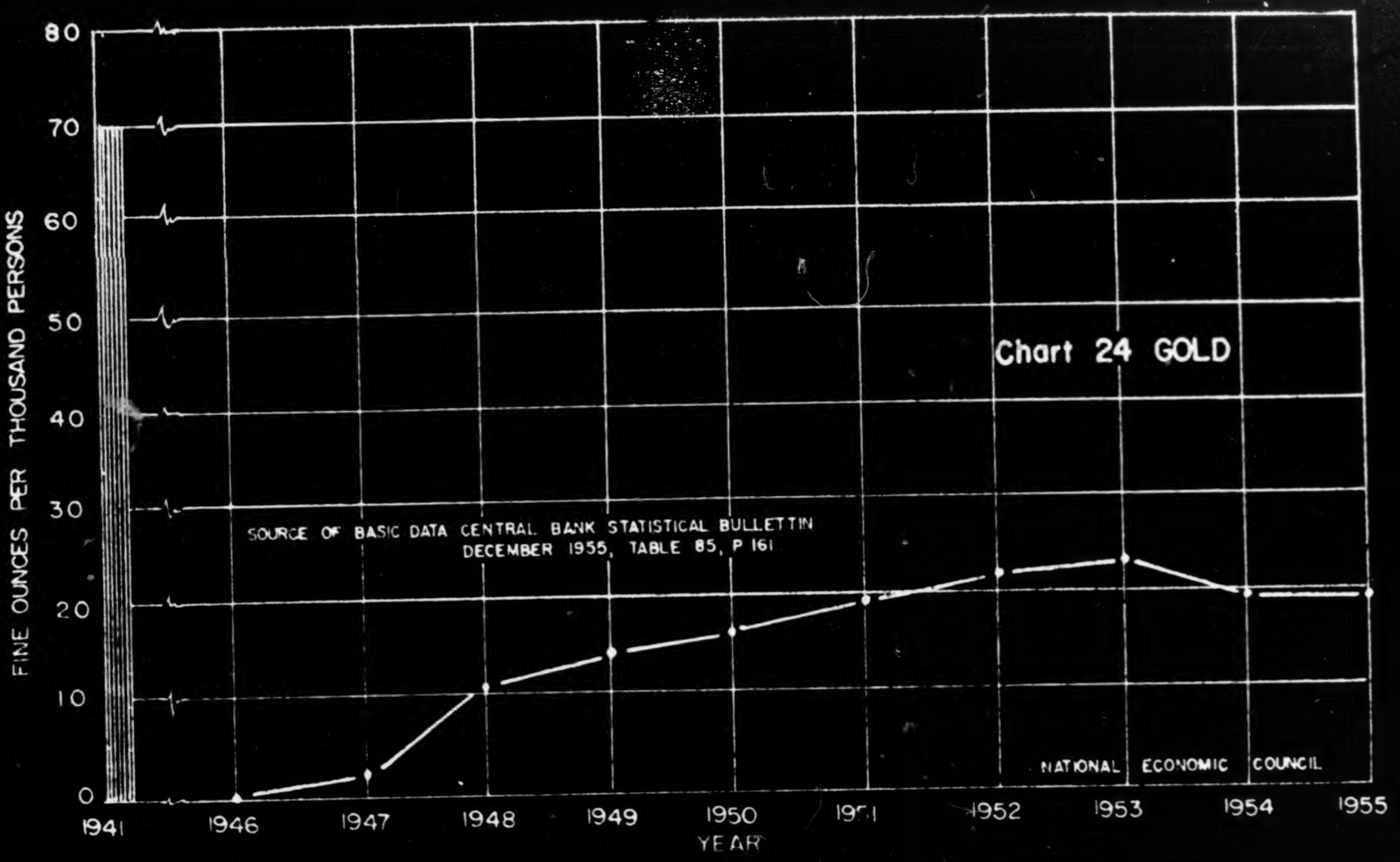


Chart 24 GOLD

SOURCE OF BASIC DATA CENTRAL BANK STATISTICAL BULLETTIN
DECEMBER 1955, TABLE 85, P 161

NATIONAL ECONOMIC COUNCIL

APPENDIX I-04
PRODUCTION OF SELECTED COMMODITIES

## STRUCTURAL DISTRIBUTION OF NATIONAL INCOME
1950 - 1955

| Industrial Origin | 1950 Million ₱: | % | 1951 Million ₱: | % | 1952 Million ₱: | % | 1953 Million ₱: | % | 1954 Million ₱: | % | 1955 Million ₱: | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Agriculture ..................... | 2,492 | 40.5 | 2,759 | 40.7 | 2,800 | 40.8 | 3,088 | 42.7 | 3,162 | 43.0 | 3,276 | 42.0 |
| Manufacturing ................. | 748 | 12.2 | 938 | 13.8 | 952 | 13.9 | 995 | 13.7 | 1,012 | 13.8 | 1.140 | 14.6 |
| Mining ........................ | 46 | 0.8 | 82 | 1.2 | 102 | 1.5 | 100 | 1.4 | 98 | 1.3 | 110 | 1.4 |
| Construction .................... | 239 | 3.9 | 237 | 3.5 | 221 | 3.2 | 237 | 3.3 | 207 | 2.8 | 232 | 3.0 |
| Trade ......................... | 752 | 12.2 | 838 | 12.4 | 809 | 11.8 | 780 | 10.8 | 781 | 10.6 | 861 | 11.0 |
| Trans. & Communications ....... | 205 | 3.3 | 228 | 3.4 | 242 | 3.5 | 242 | 3.3 | 235 | 3.2 | 250 | 3.2 |
| Government .................... | 386 | 6.3 | 431 | 6.4 | 487 | 7.1 | 529 | 7.3 | 586 | 8.0 | 623 | 8.0 |
| Personal Services .............. | 274 | 4.5 | 343 | 5.1 | 310 | 4.5 | 313 | 4.3 | 317 | 4.3 | 326 | 4.2 |
| Others ........................ | 1,004 | 16.3 | 914 | 13.5 | 942 | 13.7 | 950 | 13.2 | 960 | 13.0 | 986 | 12.6 |
| NATIONAL INCOME AT FACTOR COST ............. | 6,146 | 100.0 | 6,770 | 100.0 | 6,865 | 100.0 | 7,234 | 100.0 | 7,358 | 100.0 | 7,804 | 100.0 |

SOURCES OF BASIC DATA: Central Bank of the Philippines, Sixth Annual Report, 1954; and Seventh Annual Report, 1955.

APPENDIX 1-05

APPENDIX 1-06

# PUBLIC BORROWING POLICY FOR 1957

An informal committee of representatives from the Central Bank (Department of Economic Research), National Economic Council (Finance Branch), and the Budget Commission (Fiscal Policy Staff) has recently held several meetings to consider certain technical issues relevant to the public borrowing policy of the government for fiscal year 1957.

This group of specialists was requested to synthesize the efforts of the several entities to appraise the inflationary potential of proposed public borrowings; and to arrive at a common agreement as to the maximum injections of expenditures from government borrowings the economy can absorb in 1957 without serious inflation.

## *The Need for the Reappraisal of Policy*

Since the public borrowing policies and limitation were formulated earlier this year as a part of the President's 1957 Budget Message to Congress, changes in the fiscal, monetary and economic situation have produced a new set of circumstances and conditions governing these important decisions:

(a) A steadily rising price trend;
(b) The failure of Congress to enact the President's tax program in full, thereby forcing the annual budget into deficit financing on current account;
(c) The prospective inauguration of a significant reparations program which directly affects the borrowing program;
(d) The possibility of using Export-Import Bank loans and other credit sources for development purposes;
(e) Changes in development program needs and in actual cash requirements to finance projects which have been started.

In addition to these broader considerations, the resurgence of new inflationary forces abroad which may be felt in the domestic economy needs careful watching. The ability to cushion the impact of externally-induced economic fluctuations must be developed if these domestic repercussions are to be minimized.

Furthermore, a number of specific financial factors which have direct bearing on the magnitude of development financing as the new year entered need some consideration. Among these are:

1. The large cash balances available to the government agencies for liquidation of past and current obligations;
2. The substantial reservoir of approved obligational authority and the commitments in terms of cash requirements implicit in the new 1957 authorization;
3. The existence of considerable bond floatations authorized earlier by the Monetary Board but still unissued, pending cash need and request for issuance by the agencies concerned.

All these considerations require a reappraisal of the public borrowing program and the establishment of maximum limitations up-dated in the light of current budgetary, monetary, and economic conditions.

*Economic Factors Influencing Policy*

The dominant factor conditioning the public borrowing policy is the inflationary potential which may be generated by the injection of an excessive amount of new money into the income stream.

In fiscal year 1956 general price levels on domestically-produced goods increased by approximately 4.3 per cent. Although this price rise was the combined effect of various factors, it must be recognized that the net injection of P230 million from the sale of government securities into the income stream in 1956 undoubtedly was a major and stimulating factor. This effect will perhaps be augmented even more in the future months as the full impact of increased purchasing power is felt.

While these trends do not require any abandonment of the bold approach to development financing presented in the President's Budget Message, it must nevertheless be recognized that the general economic and monetary situation at this time calls for greater prudence and caution in the infusion of additional monetary incomes by bond issues.

*Methodology for Projecting Price Impact*

The Committee agreed on an acceptable and technically sound method of measuring the potential inflationary impact on the economy resulting from the government's borrowing policy. Briefly, the approach consisted of measuring the primary and secondary effects on the national income of the net injection of bond money through six income-periods of two months each. The price effect was computed by dividing the increase in aggregate money income by the increase in total output.[1]

*Assumptions and Premises Underlying Recommended Limits*

The fundamental premise underlying the ~~recommendation given in this report~~ is that development financing must be so limited and controlled that monetary stability will not be endangered. Consistent with this principle, ~~the Com~~mittee has adopted the following specific premises and assumptions have been adopted by Budget in arriving at the recommended borrowing level for Fiscal Year ~~1957~~. 1958

1. The imposition of an arbitrary limit on a permissible price increase in the economy not to exceed 5½ per cent annually ~~(general price index on essential consumer goods)~~.
2. Direct imports for government account of ~~P64~~ 13 million in ~~1957~~ 1958, representing the peso cost from bond funds of dollars required by the projects financed through bond issues.
3. The incurring of a budgetary deficit on operating account not to exceed P50 million. budgetary operating account and foreign exchange tax
4. A constant marginal propensity to save of ~~7~~ 6 per cent.
5. An import demand of ~~14~~ per cent to national income allowed to be effective under controls.

---

[1] See "Notes on Method".

6. Marginal rate of increase in tax revenue of 4 per cent of the increase in national income will be realized.
7. Expenditure of the proponderant amount of public borrowings for projects directly contributing to increased agricultural and industrial productivity with stress on self-liquidating features, and consistent with the Government's Five-Year Program of Economic Development.
8. The restriction of private credit expansion to the preceding year's rate (three times the generated increase in demand deposits).

*Recommended Maximum Borrowing Limit*

Consonant with the above principles and limitations, the Committee is unanimous in recommending that the President and the Council of State adopt a ₱250 million limit as the maximum expenditures which may be effected from public borrowings for all purposes during the fiscal year 1957. Existing as well as new obligational authority should be so adjusted as to assure that cash disbursement during this current year will not exceed this amount which, as of this time, must be accepted and scrupulously adhered to. Failure to revise present program authorizations and expenditure trends within this limitation may well bring serious consequences in terms of spiralling prices.

In simplified terms our recommendation of a ₱250 million limit is reflected in the following:

| | |
|---|---|
| ₱250.0 M | public borrowings (gross) |
| 36.3 M | private credit expansion |
| ₱286.3 M | gross expansion of money supply |
| — 64.0 M | direct imports for government account |
| ₱222.3 M | net injection of new money |

This ₱250 million limit recommended to be imposed on public borrowings include the financing of an estimated budgetary deficit of ₱50 million and makes allowance for ₱64 million as the peso cost of the dollar imports for government account financed by bond funds. Deducting these two amounts, there is left a total of ₱136 million as the maximum amount available for domestic expenditure for development purposes, as illustrated in the following:

| | |
|---|---|
| ₱250 M | gross amount of expenditures from public borrowings |
| 50 M | estimated budgetary deficit |
| ₱200 M | total development financing |
| 64 M | peso cost of direct import requirements |
| ₱136 M | available for domestic expenditures for development purposes |

It is recognized that there will be some carry-over effect of 1956 purchasing power increases into 1957. However, assuming that a similar carry-over effect will apply in subsequent years and assuming further that the factors of direct imports and private credit expansion are relatively constant, the Committee is of the belief that in actual operation the gross injection of ₱250 million will not induce a price increase of more than 5 to 6 per cent.

While ₱250 million is the recommended maximum safe amount to be expected from bond funds in 1957 based on present economic and monetary trends, it will be imperative that even this amount must be kept under periodic and rigid scrutiny to assure that the economy is absorbing the new injections without dislocation. The Committee, therefore, further recommends that at least a quarterly general review and reappraisal be undertaken to determine the monetary and economic impact of expenditures arising from government borrowing.

Should the growing strength of the economy in the months ahead give evidence that the increase in consumer purchasing power is being absorbed with but mild expansionary effects, the Committee would then be ready to recommend the programming and expenditures of a higher amount in 1957 than is now being recommended. But any such prospect would have to be contingent on the ability of the government to hold the anticipated budget deficit within the ₱50 million prescribed limit.

### *Actual Spending is the Deciding Factor*

The Committee would like to emphasize that the above gross amount of ₱250 million is intended to cover all expenditures from public borrowing regardless of purpose. The deciding factor in projecting inflationary potential is not the amount of new bond issues or the amount of obligational authority arising from new approvals. Rather it is the actual disbursements by the agencies authorized to expend bond funds. Economic effects are felt only upon actual expenditure of each. This is an important concept since it entails taking into account liquidations of previous obligations as well as those amounts scheduled to be expended from current authorizations.

### *Level of Commitments in Present Expenditure Schedules*

The Committee would wish to call the attention of the Council of State to the present trends of expenditures under current bond authorizations. Taking account of available balances, cash on hand and new obligational authority available in 1957, a total cash expenditure of ₱396.4 million is scheduled. This is comprised of:

| | |
|---|---|
| ₱ 92.2 M | available cash balance |
| 61.0 M | bonds authorized but unissued and scheduled in 1957 |
| 200.2 M | new obligational authority—revised Screening Committee's schedule |
| 43.0 M | budget deficit |
| ₱396.4 M | total |

The Committee recognizes that some of the expenditure estimates may be exaggerated and that in fact certain of the agencies will not, in actuality, be able to expend the full scheduled amount. The ability of the agencies to expend must not, however, be discounted too much for many of them have now completed their preliminary plans and are geared up for intensive implementations.

The Committee feels obliged to point out to the Council of State that the above scheduled amount is approximately ₱146 million in excess of what is considered safe borrowing limits under the prevailing economic situation. The full expenditure of this amount would clearly generate strong inflationary pressures which would threaten the success of the economic development program for which the bonds were issued. Price increases beyond the 5½ per cent level would not be conducive to development. Inflation would tend to increase the cost of the development projects due to the higher prices of capital goods and supplies and as a result, the estimated outlays would be insufficient for the full implementation of the scheduled program. It would induce new investments into speculation in commodities and real estate which would only add to the existing structural imbalance. It would also emphasize the maldistribution in incomes, largely to the disadvantage of the fixed income groups. As a general effect, the demand for imports would increase and with existing low level of international reserve, stricter controls would be necessary resulting in a further rise in prices. With rising costs, export earnings might fall as well so that the balance of payments degenerates from both sides.

We must also take into account the fact that a large proportion of the projects to be financed is not self-liquidating under any criteria and may bear but remote relationship to productivity.

### *Coordination with Credit Policy for the Private Sector*

A major question of monetary and credit policy is presented in considering the borrowing limits of the government. The Government could consciously adopt a policy which would deliberately restrict the extension of private credit in order to permit a greater monetary injection from the public sector through the issue of additional government securities. The Committee does not recommend this policy as a matter of sound economic and monetary policy. However, the Committee is of the sense that credit expansion for the private sector should be kept at its 1955 rate of growth. However, this expansion must be redirected to more productive undertakings in order to increase the domestic supply of goods to mop up some of the purchasing power generated by the bond expenditures. As the same time, the Committee believes that care should be taken in the public sector financial operations not to expand the issuance of government securities as to cause any contraction in current investment levels of the private sector.

### *Summary of Recommendation*

1. Based on the present economic and monetary trends, the Committee agreed that a figure of ₱250 million would be the maximum safe amount to be expended from bond issue for the fiscal year 1957.

2. The Committee recommends that the amount of ₱396.4 million representing total cash expenditures scheduled this year, referred to above, should be considered as only in the nature of obligational authority to enable departments and agencies concerned to press ahead with their planning, commitments, and long-range obligations. Actual disbursements, however, must be restricted to the ₱250 million limit herein set.

3. The Committee would like to emphasize that in assessing the inflationary potential of the government borrowing, actual expenditures, not the bond issue, is the deciding factor. Hence, the amount of ₱250 million limit should be kept under periodic and rigid scrutiny. A general review and reappraisal should be undertaken at least quarterly to determine the monetary and economic impact of expenditure arising from government borrowing.

4. The Committee is of the considered opinion that coordination of public borrowing with the credit policy for the private sector is necessary and that a more vigorous channeling of the available credit towards productive enterprises be implemented.

5. In view of these considerations, the Committee, therefore, respectfully urges that the Screening Committee reappraise all current authorities for bond issues in the light of priorities and relative essentiality and formulate new schedules which realistically reflect not only peso expenditures but also dollar requirements as well as reparations possibilities. Approved obligational authority for future planning should also be determined in relation to current and future year's cash needs. Cutbacks will admittedly be required in some current authorized programs. In making such adjustments, the general priority formula developed by the NEC should be applied. In any case projects of a type not provided for within the framework of the Government's Five-Year Development Program should be the first to [illegible] eliminated.

In conclusions, the Committee is glad that the professional staff of the three agencies concerned have profited from this association and collaboration together on the technical level and would welcome further opportunities of continuing this type of harmonious cooperation.

(Sgd.) FANNY CORTES GARCIA
Central Bank of the Philippines

(Sgd.) VICENTE C. ARREZA
Budget Commission

(Sgd.) APOLINARIO N. OROSA
National Economic Council

1958

# NOTES ON METHOD

This is a study on the maximum amount of government expenditures during fiscal year ~~1957~~, financed by public borrowings, which the economy can absorb without serious inflation. In his Budget Message to the Congress of the Philippines on ~~February 8, 1956,~~ the President stated:

> "An increase in general price levels on domestic items of 4 or 5 per cent in any one year can, we believe, be absorbed without economic dislocation and may in fact act as a stimulant to economic progress."

The principle of the "multiplier" is used to measure the probable effects on the price level. The effect is estimated as follows:

1. FY 57 Price Level

$$(\text{FY } 56 = 100) = \frac{\text{FY 57 Money Income (FY 56} = 100) \times 100}{\text{FY 57 Output (FY 56} = 100)}$$

2. FY 57 Money Income (FY 56 = 100) =

$$\text{FY 57 Money Income (FY 56} = 100) = \frac{[Y\,56 + e'\,k' + e''\,k''] \times 100}{Y\,56}$$

where: $Y\,56$ = FY 1956 gross national income, million pesos

$e'\,k'$ = money income generated by the FY 57 increase in expenditures over FY 56 expenditures, million pesos

$e''\,k''$ = money income generated in FY 57 by the FY 56 increase in expenditures over FY 55 expenditures, million pesos

$e' = \triangle E'/n$

$e'' = \triangle E''/n$

$\triangle E$ = increase in expenditures during the fiscal year, million pesos

$= \triangle G + \triangle I + \triangle X$

$\triangle G$ = increase in government expenditures on goods and services, million pesos

$\triangle I$ = increase in private investment, million pesos

$\triangle X$ = increase in exports, million pesos

$n$ = number of income periods during the year

$k$ = multiplier

2.1 The primary multiplier is determined by:

$$k' = \frac{\text{SUM } (1 - R)}{(1 - R)}$$

2.2 The secondary multiplier is determined by:

$$k'' = \frac{(1 - R^n) \text{ SUM } (1 - R^i)}{(1 - R)}$$

Where: $i$ = the number of income periods which the injection goes through during fiscal year: $i = 1, 2, \ldots, n$

$R = (1 - \text{leakages}) = [1 -$ marginal propensity to import (MPM) — marginal propensity to save (MPS) — marginal rate of increase in tax revenue (MPT)$]$

The estimates of the parameters are (1) MPM = 14%, (2) MPS = 7%, (3) MPT = 4%, and (4) n = 6. It is assumed that the investments are injected into the economy in equal amounts periodically at the beginning of two-month intervals. The multiplier principle operates on (1) immediate effect [injections] equal to the product of the primary multiplier (k') and the amount of the current periodic injections (e'), and (2) the effect extending over into the current period equal to the secondary multiplier (k") and the periodic injection (e") during the previous period.

The actual injections during fiscal year 1956 were obtained from the Budget Commission and the Central Bank, and those of fiscal year 1957 were estimated by projections of the private investments and exports and on the basis of ₱250 million government expenditure (including bond-financed) above revenue. These values are:

| Item | FY 1955 — FY 1956 (Million pesos) | FY 1956 — FY 1957 (Million pesos) |
|---|---|---|
| Total $\Delta$E | 316.6 | 180.0 |
| Increment I | 71.0 | 70.0 |
| Increment G | 187.6 | 50.0 |
| Increment X | 58.0 | 60.0 |
| e | 52.77(") | 30.00(') |

The values of the multipliers are k' = 14.1356 and k" = 8.1084. The increase in national income from FY 1956 to FY 1957 is equal to (14.1356 x 30 + 8.1084 x 52.77) or ₱851.9 million. With an estimated national income in FY 1956 equal to ₱8,326.9 million:

$$\text{FY 57 Money Income (FY 1956} = 100) = \left[\frac{8326.9 + 851.9}{8326.9}\right] \times 100 = 110.23\%$$

3. *Increase in Output*

An increase of 5 per cent in the physical volume of goods was estimated on the basis of an analysis on historical data. The estimated increased available physical volume of goods in FY 1957 is, therefore, equal to 105 per cent, with FY 1956 as base.

4. *Price Level, FY 1957 with FY 1956 as Base*

$$\text{FY 1957 Price} = \frac{110.23}{105.00} \times 100 = 105.0 \text{ (FY 1956} = 100)$$

If no other disturbances on the domestic economy will occur, the price level of domestic items is expected to increase by about 5 per cent during fiscal year 1957.

# ANNUAL RATES OF INCREASE IN NATIONAL INCOME FROM AGRICULTURE, MANUFACTURING, AND MINING

1950 — 1955

| *SECTOR* | Unit | 1950 | 1951 | 1952 | 1953 | 1954 | 1955 | Compound Annual Rate of Increase | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 1950-1955 | 1953-1955 |
| Agriculture | (Annual Share, (Million Pesos | 2492 | 2759 | 2800 | 3088 | 3162 | 3276 | | |
| | (Ratio to (Previous Year | | 1.107 | 1.015 | 1.103 | 1.024 | 1.036 | + 5.6% | + 3% |
| Manufacturing | (Annual Share, (Million Pesos | 748 | 938 | 952 | 995 | 1012 | 1140 | | |
| | (Ratio to (Previous Year | | 1.254 | 1.015 | 1.045 | 1.017 | 1.127 | + 8.8% | + 7% |
| Mining | (Annual Share, (Million Pesos | 46 | 82 | 102 | 100 | 98 | 110 | | |
| | (Ratio to (Previous Year | | 1.783 | 1.244 | 0.980 | 0.980 | 1.122 | +19.0% | + 5% |
| TOTAL | (Annual Share, (Million Pesos | 3286 | 3779 | 3854 | 4183 | 4272 | 4526 | | |
| | (Ratio to (Previous Year | | 1.150 | 1.020 | 1.085 | 1.021 | 1.059 | + 6.6% | + 4% |

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SOURCES OF BASIC DATA: Central Bank of the Philippines, Sixth Annual Report, 1954; and Seventh Annual Report, 1955.

APPENDIX 1-07

APPENDIX 1-03

## ESTIMATED GROSS NATIONAL PRODUCT AND EXPENDITURES[1]

FY 1957 to FY 1961

(In million pesos)

| | 1955[a] | 1957 | Total 1957-61 |
|---|---|---|---|
| **Gross National Product:** | | | |
| 1. National Income | 7,804 | 8,757 | 49,358 |
| 2. Indirect taxes plus depreciation less subsidies | 1,052 | 1,320 | 7,799 |
| Total | 8,856 | 10,077 | 57,157 |
| **Expenditures:** | | | |
| 1. Private consumption | 7,745 | 8,361[c] | 47,634[c] |
| 2. Net domestic investment | 800[b] | 961 | 5,198 |
| (a) Private net investment | 623 | 576 | 3,198 |
| (b) Public net investment | 177 | 385 | 2,000 |
| 3. Government Current Expenditure | 642 | 824 | 4,858 |
| 4. Net export & investment income | —331 | — 69 | —533 |
| Total | 8,856 | 10,077 | 57,157 |

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[1] Rounded to nearest million.

[a] Actual calendar year, Central Bank of the Philippines, Seventh Annual Report, 1955.

[b] Reported as gross. See footnote on p. 70, Part III Chapter 7, this report.

[c] Includes depreciation.

## THE DETAILED PUBLIC INVESTMENT SCHEDULE IN AGRICULTURE
## FY 1957 — 1961

### Developmental Expenditures for Services to Promote Agricultural Production
(Thousand Pesos)

| Projects | 1957 | 1958 | 1959 | 1960 | 1961 | Total |
|---|---|---|---|---|---|---|
| **1. Crop Production:** | | | | | | |
| Priority I[a] | 3,633.6 | 4,137.2 | 2,695.2 | 1,936.2 | 2,530.2 | 14,982.4 |
| 1) Establishment of regional seed farms ...... | — | 1,000.0 | 1,000.0 | — | 1,000.0 | 3,000.0 |
| 2) Rice and corn seed distribution .......... | 270.0 | 315.0 | 315.0 | 358.0 | — | 1,258.0 |
| 3) Cotton production and development ....... | 1,000.0 | 1,000.0 | 1,000.0 | 1,000.0 | 1,000.0 | 5,000.0 |
| 4) Establishment of abaca seedling banks. .... | 300.0 | — | — | — | — | 300.0 |
| 5) Establishment of two abaca decorticating centrals .............................. | 1,500.0 | 1,500.0 | — | — | — | 3,000.0 |
| 6) Agricultural research ...................... | 533.6 | 322.2 | 250.2 | 420.2 | 330.2 | 1,856.4 |
| 7) Mechanization of experiment stations ...... | 80.0 | — | 130.0 | 158.0 | 200.0 | 568.0 |
| Priority II[b] | 4,045.0 | 6,755.0 | 6,746.0 | 7,181.0 | 6,960.0 | 31,687.0 |
| 1) Establishment of regional nurseries ...... | — | 290.0 | 290.0 | 290.0 | 580.0 | 1,450.0 |
| 2) Expansion of the Agricultural Extension Service ............................... | — | 1,865.0 | — | 460.0 | — | 2,325.0 |
| 3) Establishment of storage and warehousing facilities ............................. | 50.0 | — | 56.0 | 101.0 | 110.0 | 317.0 |
| 4) Pest and disease control .................. | 55.0 | — | — | — | 50.0 | 105.0 |
| 5) Construction of coconut central by PHILCOA ............................ | 2,140.0 | 4,000.0 | 6,000.0 | 6,000.0 | 5,920.0 | 24,060.0 |
| 6) Coconut development ...................... | 1,550.0 | 450.0 | 300.0 | 300.0 | 300.0 | 2,900.0 |
| 7) Moisture meter program .................... | 250.0 | 150.0 | 100.0 | 30.0 | — | 530.0 |

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[a] The following projects for which financial assistance will be provided the private sector by government entities are included in this priority: (1) Modernization of abaca stripping, P1 million from the ABACORP; and (2) Purchase and resale of small abaca decorticating equipment, P400,000 by the ABACORP; expansion of irrigation requiring P149.2 million.

APPENDIX 2-01

| Projects | 1957 | 1958 | 1959 | 1960 | 1961 | Total |
|---|---|---|---|---|---|---|
| Priority III | — | 505.0 | 1,502.0 | 1,049.0 | 1,717.0 | 4,773.0 |
| 1) Soil and water conservation including utilization | — | 505.0 | 1,502.0 | 1,049.0 | 1,717.0 | 4,773.0 |
| Priority IV[c] | 9,500.0 | 7,875.0 | 8,875.0 | 9,875.0 | 9,875.0 | 46,000.0 |
| 1) Public land subdivision | 7,000.0 | 6,000.0 | 7,000.0 | 8,000.0 | 8,000.0 | 36,000.0 |
| 2) Cadastral survey | 2,500.0 | 1,875.0 | 1,875.0 | 1,875.0 | 1,875.0 | 10,000.0 |
| Sub-Total | 17,228.6 | 19,272.2 | 19,818.2 | 20,041.2 | 21,082.2 | 97,442.4 |

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[b] This includes the following projects for which additional funds will be provided the private sector by government agencies: (1) Expansion of the organization and financing of agricultural cooperatives, P20,910,000 in facility loans from the ACCFA for FY 1957 only; (2) Expansion of credit through the RFC, PNB and Rural Banks; (3) Abaca loan financing by ABACORP, P11 million; (4) The construction of copra central project of the private sector will be provided P10 million by the PHILCOA in the form of loans.

[c] The Land Settlement project requiring P40 million in 5 years from NARRA funds but which is in nature a private sector investment is included here. The purchase and resale of landed estates are also included.

| Projects | 1957 | 1958 | 1959 | 1960 | 1961 | Total |
|---|---|---|---|---|---|---|
| **Livestock Production:** | | | | | | |
| Priority I: | 2,070.0 | 2,170.0 | 2,320.0 | 3,220.0 | 4,310.0 | 14,090.0 |
| 1. Importation of breeding animals | 1,500.0 | 1,500.0 | 1,500.0 | 2,000.0 | 2,890.0 | 9,390.0 |
| 2. Rehabilitation of stock farms | 100.0 | 100.0 | 100.0 | 200.0 | — | 500.0 |
| 3. Opening of new stock farms (ranches) | 100.0 | 100.0 | 100.0 | 200.0 | — | 500.0 |
| 4. Opening of dairy farms and milk processing plants | 200.0 | 300.0 | 400.0 | 500.0 | 900.0 | 2,300.0 |
| 5. Development of grazing areas (production of hay and silage) | 150.0 | 150.0 | 200.0 | 300.0 | 500.0 | 1,300.0 |
| 6. Expansion of livestock dispersal program | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 100.0 |
| Priority II: | 425.0 | 630.0 | 770.0 | 930.0 | 910.0 | 3,665.0 |
| 1. Expansion and intensification of livestock research | 215.0 | 300.0 | 300.0 | 400.0 | 400.0 | 1,615.0 |
| 2. Expansion and revitalization of campaign of education and information on livestock production | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 250.0 |
| 3. Expansion of vocational training in agriculture with more emphasis on livestock production | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 250.0 |
| 4. Holding of yearly training institute on livestock production | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 50.0 |
| 5. Expansion of artificial insemination | 100.0 | 220.0 | 360.0 | 420.0 | 400.0 | 1,500.0 |
| Priority III: | 490.0 | 450.0 | 420.0 | 420.0 | 520.0 | 2,300.0 |
| 1. Organization of livestock associations as the DHIA and PPIP | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 100.0 |
| 2. Establishment of national regional slaughterhouses and cold storage plant | 300.0 | 300.0 | 300.0 | 300.0 | 400.0 | 1,600.0 |

| Projects | 1957 | 1958 | 1959 | 1960 | 1961 | Total |
|---|---|---|---|---|---|---|
| 3. Control of animal diseases—tests, immunizations, production of biologics | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 500.0 |
| 4. Establishment of quarantine station | 70.0 | 30.0 | — | — | — | 100.0 |
| Priority IV: | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 500.0 |
| 1. Granting of scholarships for graduate studies in livestock production | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 500.0 |
| 2. Conservation of breeding and work stock. Enforcement of R. A. No. 11 | — | — | — | — | — | [1] |
| 3. Formation of Animal Industry Development Council | — | — | — | — | — | [1] |
| 4. Reclassification and delineation of public pasture lands | — | — | — | — | — | [2] |
| Sub-Total | 3,085.0 | 3.350.0 | 3,610.0 | 4,670.0 | 5,840.0 | 20,555.0 |

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[1] No investment funds needed.

[2] Included in the Forestry Schedule.

| Projects | 1957 | 1958 | 1959 | 1960 | 1961 | Total |
|---|---|---|---|---|---|---|
| **Fish Production:** | | | | | | |
| Priority I: | 2,600.0 | 1,650.0 | 1,300.0 | 1,450.0 | 1,200.0 | 8,200.0 |
| 1. Exploratory fishing and survey of fishing grounds for tuna including acquisition of tuna long line vessel and gear .......... | 800.0 | 100.0 | 100.0 | 100.0 | 100.0 | 1,200.0 |
| 2. Expansion of district fishery offices and creation of additional field offices as substations of the Bureau of Fisheries .... | 500.0 | 200.0 | 100.0 | 100.0 | 100.0 | 1,000.0 |
| 3. Expansion of the enforcement of fishery laws, rules and regulations including acquisition of patrol boats .............. | 150.0 | 200.0 | 150.0 | 150.0 | 100.0 | 750.0 |
| 4. Fisheries biological investigation program including establishment of fishery biological stations ...................... | 200.0 | 200.0 | 100.0 | 200.0 | 100.0 | 800.0 |
| 5. Fish stocking program including establishment of fish hatcheries ................. | 150.0 | 200.0 | 200.0 | 250.0 | 200.0 | 1,000.0 |
| 6. Oceanographic and limnological investigation including establishment of oceanographic and limnological laboratories ........... | 200.0 | 250.0 | 150.0 | 150.0 | 100.0 | 850.0 |
| 7. Fishery research program including establishment of a central fisheries research laboratory .............................. | 600.0 | 500.0 | 500.0 | 500.0 | 500.0 | 2,600.0 |
| 8. Establishment of guarantee fund or revolving fund to underwrite loans to the fisheries industry including fishery cooperatives ... | | | | | | (30,000.0) |

| PROJECTS | 1957 | 1958 | 1959 | 1960 | 1961 | Total |
|---|---|---|---|---|---|---|
| Priority II: | 835.0 | 875.0 | 975.0 | 975.0 | 875.0 | 4,530.0 |
| 1. Expansion of fishing demonstrations including acquisition of demonstration vessels and gear | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 500.0 |
| 2. Expansion of demonstration fish ponds ..... | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 500.0 |
| 3. Establishment of demonstration fish preservation and fish processing plants ............ | 60.0 | 50.0 | 50.0 | 50.0 | 50.0 | 260.0 |
| 4. Expansion of vocational and technical fishery schools .................................... | 450.0 | 500.0 | 600.0 | 600.0 | 500.0 | 2,650.0 |
| 5. Scholarship grants for training abroad ..... | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 | 375.0 |
| 6. Acquisition of the services of fishery experts to act as advisers in fisheries ............ | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 250.0 |
| Priority III: | — | 1,000.0 | 1,400.0 | 1,500.0 | 2,000.0 | 5,900.0 |
| 1. Zonification, delineation and subdivision of public swamplands (included in the Forestry Development program) .................. | — | — | — | — | — | (250.0) |
| 2. Establishment of fish landing including fish wharves; fish cold storage and fish exchanges .................................. | — | 1,000.0 | 1,400.0 | 1,500.0 | 2,000.0 | 5,900.0 |
| Priority IV: | 125.0 | 125.0 | 125.0 | 125.0 | 125.0 | 625.0 |
| 1. Development and expansion of fishery information and advisory services including gathering and compiling of fishery statistics in the Bureau of Fisheries .............. | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 500.0 |
| 2. Expansion of the fishery section in the Bureau of Agricultural Extension ........... | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 | 125.0 |
| Sub-Total ............................ | 3,560.0 | 3,650.0 | 3,800.0 | 4,050.0 | 4,200.0 | 19,260.0 |

| PROJECTS | 1957 | 1958 | 1959 | 1960 | 1961 | Total |
|---|---|---|---|---|---|---|
| **Forestry Development:** | | | | | | |
| Priority I: | 2,050.0 | 1,300.0 | 1,350.0 | 1,100.0 | 600.0 | 6,400.0 |
| 1. Sustained-yield management of forests ...... | 50.0 | 50.0 | 100.0 | 100.0 | 100.0 | 400.0 |
| 2. Forest protection ........................ | 500.0 | 500.0 | 500.0 | 500.0 | — | 2,000.0 |
| 3. Establishment of permanent forests .......... | 500.0 | 500.0 | 500.0 | 500.0 | 500.0 | 2,500.0 |
| 4. Forest inventory, including photogrammetry .. | 1,000.0 | 250.0 | 250.0 | — | — | 1,500.0 |
| Priority II: | 1,020.0 | 1,030.0 | 2,150.0 | 3,400.0 | 4,200.0 | 11,800.0 |
| 1. Reforestation ............................ | 1,000.0 | 1,000.0 | 1,000.0 | 1,000.0 | 2,000.0 | 6,000.0 |
| 2. Stumpage appraisal ....................... | 20.0 | 30.0 | 50.0 | — | — | 100.0 |
| 3. Forest Products Laboratory ................ | — | — | 100.0 | 300.0 | 100.0 | 500.0 |
| 4. Capitalization of Forest Products Promotion Administration ........................ | — | — | 1,000.0 | 2,000.0 | 2,000.0 | 5,000.0 |
| 5. Forest experiment stations ................ | — | — | — | 100.0 | 100.0 | 200.0 |
| Priority III: | 336.0 | 1,344.0 | 788.0 | 130.0 | 110.0 | 2,708.0 |
| 1. Modernization and mechanization of the Bureau of Forestry ........................ | — | 1,000.0 | 500.0 | — | — | 1,500.0 |
| 2. Delimitation of lands for pastures, fishponds, etc. ...................................... | 50.0 | 50.0 | 50.0 | 50.0 | 50.0 | 250.0 |
| 3. Resettlement of squatters and kaingineros .... | 20.0 | 30.0 | — | — | — | 50.0 |
| 4. Educational campaign ..................... | 50.0 | 50.0 | 100.0 | — | — | 200.0 |
| 5. College of Forestry ...................... | 216.0 | 214.0 | 138.0 | 80.0 | 60.0 | 708.0 |
| Priority IV: | 20.0 | 50.0 | 50.0 | — | — | 120.0 |
| 1. Community forests ........................ | — | 50.0 | 50.0 | — | — | 100.0 |
| 2. Forestry Councils ........................ | 20.0 | — | — | — | — | 20.0 |
| Sub-Total ........................ | 3,426.0 | 3,724.0 | 4,338.0 | 4,630.0 | 4,910.0 | 21,028.0 |
| GRAND TOTAL ........ | 27,299.6 | 29,996.2 | 31,566.2 | 33,391.2 | 36,032.2 | 158,285.4 |

## 5. Summary of Investments

(In million pesos)

| PROJECTS | 1957 | 1958 | 1959 | 1960 | 1961 | Total |
|---|---|---|---|---|---|---|
| Land improvement and development | 16.38 | 15.77 | 18.25 | 18.80 | 19.70 | 88.90 |
| Agricultural extension services | — | 1.87 | — | .46 | — | 2.33 |
| Agricultural research | .53 | .32 | .25 | .42 | .33 | 1.85 |
| Livestock production and development | 3.08 | 3.35 | 3.61 | 4.67 | 5.84 | 20.55 |
| Seed improvement | .27 | 1.31 | 1.32 | .36 | 1.00 | 4.26 |
| Fishery development, services, etc. | 3.56 | 3.65 | 3.80 | 4.05 | 4.20 | 19.26 |
| Forestry development, services, etc. | 3.43 | 3.72 | 4.34 | 4.63 | 4.91 | 21.03 |
| Pest and disease control (crop) | .05 | — | — | — | .05 | .10 |
| TOTAL | 27.30 | 29.99 | 31.57 | 33.39 | 36.03 | 158.28 |

## PUBLIC INVESTMENT SCHEDULE FOR MANUFACTURING AND MINING
FY 1957 - 1961
(In Million Pesos)

| | 1957 | | | 1958 | | | 1959 | | |
|---|---|---|---|---|---|---|---|---|---|
| | $ | ₱ | Total | $ | ₱ | Total | $ | ₱ | Total |
| TOTAL: | 68.7 | 38.5 | 107.2 | 51.3 | 33.5 | 84.8 | 53.8 | 27.2 | 81.0 |
| I. **Iron & Steel and Dry Dock:** | 20.5 | 16.0 | 36.5 | 8.2 | 10.7 | 18.9 | 9.0 | 5.3 | 14.3 |
| 1. Integrated Pig Iron Smelting & Steel Mill | 16.7 | 11.3 | 28.0 | 6.0 | 7.2 | 13.2 | 6.7 | 3.6 | 10.3 |
| 2. Dock & Ship Building | 3.8 | 4.7 | 8.5 | 2.2 | 3.5 | 5.7 | 2.3 | 1.7 | 4.0 |
| II. **Chemicals:** | 21.5 | 7.3 | 28.8 | 9.2 | 6.5 | 15.7 | 15.2 | 6.6 | 21.8 |
| 1. Ammonium Sulfate Unit #2 | 10.4 | 2.8 | 13.2 | — | 1.8 | 1.8 | — | — | — |
| 2. Ammonium Sulfate Unit #3 | — | — | — | — | — | — | — | — | — |
| 3. Urea | — | — | — | 7.1 | 2.9 | 10.0 | 5.3 | 2.2 | 7.5 |
| 4. Ammonium Nitrate | — | — | — | — | — | — | — | — | — |
| 5. Munition Plant | 7.9 | 2.7 | 10 | — | .8 | .8 | 1.4 | .5 | 1.9 |
| 6. Triple Superphosphate | — | — | — | — | — | — | 1.8 | .7 | 2.5 |
| 7. Industrial Explosives | — | — | — | 1.8 | .8 | 2.6 | — | .5 | .5 |
| 8. Potassic Fertilizer | .9 | .2 | 1.1 | .2 | .1 | .3 | 1.4 | .5 | 1.9 |
| 9. Coal Derivatives | 2.3 | 1.6 | 3.9 | .1 | .1 | .2 | 2.9 | 1.2 | 4.1 |
| 10. Nitro-phos | — | — | — | — | — | — | 2.4 | 1.0 | 3.4 |
| 11. Nitro-cal | — | — | — | — | — | — | — | — | — |
| III. **Fuel:** | — | — | — | 7.4 | 1.2 | 8.6 | — | 1.4 | 1.4 |
| 1. Coke-Oven | — | — | — | 7.4 | 1.2 | 8.6 | — | 1.4 | 1.4 |

|  | 1957 |  |  | 1958 |  |  | 1959 |  |  |
|---|---|---|---|---|---|---|---|---|---|
|  | $ | ₱ | Total | $ | ₱ | Total | $ | ₱ | Total |
| IV. Textile: | 6.4 | 1.0 | 7.4 | 2.2 | 1.8 | 4.0 | 6.8 | 2.3 | 9.1 |
| 1. Ramie .......................... | 6.4 | 1.0 | 7.4 | 2.2 | 1.8 | 4.0 | 6.8 | 2.3 | 9.1 |
| V. Non-Metallic: | 8.5 | 2.0 | 10.5 | 7.5 | 3.0 | 10.5 | 7.0 | 0.5 | 7.5 |
| 1. Cement .......................... | 8.5 | 2.0 | 10.5 | 7.5 | 3.0 | 10.5 | 7.0 | 0.5 | 7.5 |
| VI. Other Industries: | — | — | — | 7.0 | 2.2 | 9.2 | 7.0 | 2.2 | 9.2 |
| 1. Machine Tool Plant ............... | — | — | — | 2.3 | — | 2.3 | 2.3 | — | 2.3 |
| 2. Industrial Machinery Parts ......... | — | — | — | 2.5 | — | 2.5 | 2.6 | — | 2.6 |
| 3. Ball & Roller Bearing Plant ........ | — | — | — | 1.2 | — | 1.2 | 1.1 | — | 1.1 |
| 4. Miscellaneous .................... | — | — | — | 1.0 | 2.2 | 3.2 | 1.0 | 2.2 | 3.2 |
| VII. Mining: | 6.0 | 4.5 | 10.5 | 6.5 | 6.0 | 12.5 | 6.0 | 8.0 | 14.0 |
| 1. Coal Development ................ | 3.0 | 3.5 | 6.5 | 4.5 | 4.0 | 8.5 | 5.0 | 5.0 | 10.0 |
| 2. Geophysical and Geological Surveys. | 3.0 | 1.0 | 4.0 | 2.0 | 2.0 | 4.0 | 1.0 | 3.0 | 4.0 |
| VIII. Improvement & Expansion of Industrial Research: | 5.8 | 7.7 | 13.5 | 3.3 | 2.1 | 5.4 | 2.8 | .9 | 3.7 |

## PUBLIC INVESTMENT SCHEDULE FOR MANUFACTURING AND MINING
FY 1957 - 1961
(In Million Pesos)

| | 1960 | | | 1961 | | | TOTAL | | |
|---|---|---|---|---|---|---|---|---|---|
| | $ | ₱ | Total | $ | ₱ | Total | $ | ₱ | Total |
| TOTAL: | 50.8 | 33.3 | 84.1 | 44.8 | 31.2 | 76.0 | 269.4 | 163.7 | 433.1 |
| **I. Iron & Steel and Dry Dock:** | — | 5.8 | 5.8 | — | 3.7 | 3.7 | 37.7 | 41.5 | 79.2 |
| 1. Integrated Pig Iron Smelting & Steel Mill | — | 4.0 | 4.0 | — | 3.7 | 3.7 | 29.4 | 29.8 | 59.2 |
| 2. Dock & Ship Building | — | 1.8 | 1.8 | — | — | — | 8.3 | 11.7 | 20.0 |
| **II. Chemicals:** | 26.4 | 9.9 | 36.3 | 17.0 | 9.4 | 26.4 | 89.3 | 39.7 | 129.0 |
| 1. Ammonium Sulfate Unit #2 | — | — | — | — | — | — | 10.4 | 4.6 | 15.0 |
| 2. Ammonium Sulfate Unit #3 | 10.4 | 2.8 | 13.2 | — | 1.8 | 1.8 | 10.4 | 4.6 | 15.0 |
| 3. Urea | — | — | — | — | — | — | 12.4 | 5.1 | 17.5 |
| 4. Ammonium Nitrate | 7.9 | 2.1 | 10.0 | 4.8 | 1.2 | 6.0 | 12.7 | 3.3 | 16.0 |
| 5. Munition Plant | .9 | .4 | 1.3 | 3.8 | 1.6 | 5.4 | 14.0 | 6.0 | 20.0 |
| 6. Triple Superphosphate | 1.2 | .5 | 1.7 | — | — | — | 3.0 | 1.2 | 4.2 |
| 7. Industrial Explosives | — | — | — | — | — | — | 1.8 | 1.3 | 3.1 |
| 8. Potassic Fertilizer | .9 | .4 | 1.3 | 4.6 | .8 | 5.4 | 8.0 | 2.0 | 10.0 |
| 9. Coal Derivatives | 1.5 | 2.1 | 3.6 | 3.8 | 2.6 | 6.4 | 10.6 | 7.6 | 18.2 |
| 10. Nitro-phos | — | .6 | .6 | — | — | — | 2.4 | 1.6 | 4.0 |
| 11. Nitro-cal | 3.6 | 1.0 | 4.6 | — | 1.4 | 1.4 | 3.6 | 2.4 | 6.0 |

| | 1960 | | | 1961 | | | TOTAL | | |
|---|---|---|---|---|---|---|---|---|---|
| | $ | ₱ | Total | $ | ₱ | Total | $ | ₱ | Total |
| III. Fuel: | — | — | — | — | — | — | 7.4 | 2.6 | 10.0 |
| 1. Coke-Oven | — | — | — | — | — | — | 7.4 | 2.6 | 10.0 |
| IV. Textile: | .6 | 3.4 | 4.0 | — | 1.7 | 1.7 | 16.0 | 10.2 | 26.2 |
| 1. Ramie | .6 | 3.4 | 4.0 | — | 1.7 | 1.7 | 16.0 | 10.2 | 26.2 |
| V. Non-Metallic: | 1.0 | 1.5 | 2.5 | — | — | — | 24.0 | 7.0 | 31.0 |
| 1. Cement | 1.0 | 1.5 | 2.5 | — | — | — | 24.0 | 7.0 | 31.0 |
| VI. Other Industries: | 13.0 | 2.3 | 15.3 | 17.5 | 5.5 | 23.0 | 44.5 | 12.2 | 56.7 |
| 1. Machine Tool Plant | 4.6 | — | 4.6 | 6.9 | 1.9 | 8.8 | 16.1 | 1.9 | 18.0 |
| 2. Industrial Machinery Parts | 5.1 | — | 5.1 | 7.6 | 2.7 | 9.8 | 17.8 | 2.2 | 20.0 |
| 3. Ball & Roller Bearing Plant | 2.3 | — | 2.3 | 3.0 | 1.4 | 4.4 | 7.6 | 1.4 | 9.0 |
| 4. Miscellaneous | 1.0 | 2.3 | 3.3 | — | — | — | 3.0 | 6.7 | 9.7 |
| VII. Mining: | 7.0 | 9.5 | 16.5 | 7.5 | 10.0 | 17.5 | 33.0 | 38.0 | 71.0 |
| 1. Coal Development | 6.0 | 6.5 | 12.5 | 6.5 | 7.0 | 13.5 | 25.0 | 26.0 | 51.0 |
| 2. Geophysical & Geological Surveys | 1.0 | 3.0 | 4.0 | 1.0 | 3.0 | 4.0 | 8.0 | 12.0 | 20.0 |
| VIII. Improvement & Expansion of Industrial Research: | 2.8 | .9 | 3.7 | 2.8 | .9 | 3.7 | 17.5 | 12.5 | 30.0 |

## SERVICES DEVELOPMENT PROGRAM FOR FY 1957 TO FY 1961

Peso and Dollar Requirements
(In Million Pesos)

| PURPOSE | 1957 | | | 1958 | | | 1959 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Peso | Dollar | Total | Peso | Dollar | Total | Peso | Dollar | Total |
| GRAND TOTAL | 132.7 | 46.3 | 179.0 | 140.0 | 50.0 | 190.0 | 145.2 | 50.8 | 196.0 |
| **A—Trans. & Communication:** | 66.5 | 18.5 | 85.0 | 70.6 | 20.4 | 91.0 | 73.5 | 21.5 | 95.0 |
| Railway: | 1.5 | 3.5 | 5.0 | 3.3 | 5.7 | 9.0 | 4.1 | 6.9 | 11.0 |
| Fixed Installation | .5 | .5 | 1.0 | .5 | .5 | 1.0 | .5 | .5 | 1.0 |
| Rolling Stock | — | 1.2 | 1.2 | — | 1.2 | 1.2 | — | 1.2 | 1.2 |
| Extension | 1.0 | 1.8 | 2.8 | 2.8 | 4.0 | 6.8 | 3.6 | 5.2 | 8.8 |
| Highways: | 54.4 | 9.6 | 64.0 | 55.8 | 9.2 | 65.0 | 57.3 | 9.7 | 67.0 |
| Development Roads | 10.8 | 1.2 | 12.0 | 10.8 | 1.2 | 12.0 | 10.8 | 1.2 | 12.0 |
| Feeder Roads | 9.6 | 2.4 | 12.0 | 11.0 | 2.0 | 13.0 | 12.5 | 2.5 | 15.0 |
| Main Routes | 25.0 | 5.0 | 30.0 | 25.0 | 5.0 | 30.0 | 25.0 | 5.0 | 30.0 |
| Other Roads | 9.0 | 1.0 | 10.0 | 9.0 | 1.0 | 10.0 | 9.0 | 1.0 | 10.0 |
| Portworks: | 6.4 | 1.6 | 8.0 | 7.3 | 1.7 | 9.0 | 7.3 | 1.7 | 9.0 |
| National Ports | 4.0 | 1.0 | 5.0 | 5.0 | 1.0 | 6.0 | 5.0 | 1.0 | 6.0 |
| Municipal Ports | 1.6 | .4 | 2.0 | 1.5 | .5 | 2.0 | 1.5 | .5 | 2.0 |
| Shore Protection | .8 | .2 | 1.0 | .8 | .2 | 1.0 | .8 | .2 | 1.0 |
| Airports & Airways: | 3.2 | 1.8 | 5.0 | 3.2 | 1.8 | 5.0 | 3.2 | 1.8 | 5.0 |
| Airports | 3.0 | 1.0 | 4.0 | 3.0 | 1.0 | 4.0 | 3.0 | 1.0 | 4.0 |
| Airways | .2 | .8 | 1.0 | .2 | .8 | 1.0 | .2 | .8 | 1.0 |
| Communications: | 1.0 | 2.0 | 3.0 | 1.0 | 2.0 | 3.0 | 1.6 | 1.4 | 3.0 |
| Gov't. Telephone | .5 | 1.0 | 1.5 | .5 | 1.0 | 1.5 | .6 | .1 | .7 |
| Telegraph & Radio | .5 | 1.0 | 1.5 | .5 | 1.0 | 1.5 | 1.0 | 1.3 | 2.3 |

SERVICES DEVELOPMENT PROGRAM FOR FY 1957 TO FY 1961

Peso and Dollar Requirements

(In Million Pesos)

| PURPOSE | 1969 | | | 1961 | | | TOTAL REQUIREMENTS | | |
|---|---|---|---|---|---|---|---|---|---|
| | Peso | Dollar | Total | Peso | Dollar | Total | Peso | Dollar | Total |
| GRAND TOTAL | 150.2 | 53.8 | 204.0 | 153.6 | 57.4 | 211.0 | 721.7 | 258.3 | 980.0 |
| A—Trans. & Communication: | 74.7 | 22.3 | 97.0 | 74.2 | 23.8 | 98.0 | 359.5 | 106.5 | 466.0 |
| Railway: | 5.3 | 7.7 | 13.0 | 5.2 | 8.8 | 14.0 | 19.4 | 32.8 | 52.0 |
| Fixed Installation | .5 | .5 | 1.0 | .5 | .5 | 1.0 | 2.5 | 2.5 | 5.0 |
| Rolling Stock | — | 1.0 | 1.0 | — | 1.0 | 1.0 | — | 5.6 | 5.6 |
| Extension | 4.8 | 6.2 | 11.0 | 4.7 | 7.3 | 12.0 | 16.9 | 24.5 | 41.4 |
| Highways: | 57.3 | 9.7 | 67.0 | 57.3 | 9.7 | 67.0 | 282.1 | 47.9 | 330.0 |
| Development Roads | 10.8 | 1.2 | 12.0 | 10.8 | 1.2 | 12.0 | 54.0 | 6.0 | 60.0 |
| Feeder Roads | 12.5 | 2.5 | 15.0 | 12.5 | 2.5 | 15.0 | 58.1 | 11.9 | 70.0 |
| Main Routes | 25.0 | 5.0 | 30.0 | 25.0 | 5.0 | 30.0 | 125.0 | 25.0 | 150.0 |
| Other Roads | 9.0 | 1.0 | 10.0 | 9.0 | 1.0 | 10.0 | 45.0 | 5.0 | 50.0 |
| Portworks: | 7.3 | 1.7 | 9.0 | 7.3 | 1.7 | 9.0 | 35.6 | 8.4 | 44.0 |
| National Ports | 5.0 | 1.0 | 6.0 | 5.0 | 1.0 | 6.0 | 24.0 | 5.0 | 29.0 |
| Municipal Ports | 1.5 | .5 | 2.0 | 1.5 | .5 | 2.0 | 7.6 | 2.4 | 10.0 |
| Shore Protection | .8 | .2 | 1.0 | .8 | .2 | 1.0 | 4.0 | 1.0 | 5.0 |
| Airports & Airways: | 3.2 | 1.8 | 5.0 | 3.2 | 1.8 | 5.0 | 16.0 | 9.0 | 25.0 |
| Airports | 3.0 | 1.0 | 4.0 | 3.0 | 1.0 | 4.0 | 15.0 | 5.0 | 20.0 |
| Airways | .2 | .8 | 1.0 | .2 | .8 | 1.0 | 1.0 | 4.0 | 5.0 |
| Communications: | 1.6 | 1.4 | 3.0 | 1.2 | 1.8 | 3.0 | 6.4 | 8.6 | 15.0 |
| Gov't. Telephone | .6 | .1 | .7 | .2 | .4 | .6 | 2.4 | 2.6 | 5.0 |
| Telegraph & Radio | 1.0 | 1.3 | 2.3 | 1.0 | 1.4 | 2.4 | 4.0 | 6.0 | 10.0 |

APPENDIX 2-03

## SERVICES DEVELOPMENT PROGRAM FOR FY 1957 TO FY 1961 (Continued)

Peso and Dollar Requirements

(In Million Pesos)

| PURPOSE | 1957 | | | 1958 | | | 1959 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Peso | Dollar | Total | Peso | Dollar | Total | Peso | Dollar | Total |
| **B—Public Works:** | 35.1 | 6.9 | 42.0 | 35.9 | 7.1 | 43.0 | 35.9 | 7.1 | 43.0 |
| Flood Control | 4.6 | 0.4 | 5.0 | 4.6 | 0.4 | 5.0 | 4.6 | 0.4 | 5.0 |
| Public Buildings: | 26.1 | 5.9 | 32.0 | 26.9 | 6.1 | 33.0 | 26.9 | 6.1 | 33.0 |
| Elem. & Bo. Schools | 12.0 | 3.0 | 15.0 | 12.0 | 3.0 | 15.0 | 12.0 | 3.0 | 15.0 |
| Vocational Schools | 4.0 | 1.0 | 5.0 | 4.0 | 1.0 | 5.0 | 4.0 | 1.0 | 5.0 |
| Hospitals | 2.4 | 0.6 | 3.0 | 2.4 | 0.6 | 3.0 | 2.4 | 0.6 | 3.0 |
| Health Centers | 0.8 | 0.2 | 1.0 | 0.8 | 0.2 | 1.0 | 0.8 | 0.2 | 1.0 |
| Presidencias | 1.7 | 0.3 | 2.0 | 1.7 | 0.3 | 2.0 | 1.7 | 0.3 | 2.0 |
| Markets | 1.8 | 0.2 | 2.0 | 1.8 | 0.2 | 2.0 | 1.8 | 0.2 | 2.0 |
| National Buildings | 3.4 | 0.6 | 4.0 | 4.2 | .8 | 5.0 | 4.2 | 0.8 | 5.0 |
| Housing: | 4.4 | 0.6 | 5.0 | 4.4 | 0.6 | 5.0 | 4.4 | 0.6 | 5.0 |
| P. H. H. C. | 4.4 | 0.6 | 5.0 | 4.4 | 0.6 | 5.0 | 4.4 | 0.6 | 5.0 |
| **Public Utilities:** | 31.1 | 20.9 | 52.0 | 33.5 | 22.5 | 56.0 | 35.8 | 22.2 | 58.0 |
| Power Supply: | 18.3 | 16.7 | 35.0 | 19.9 | 18.1 | 38.0 | 22.2 | 17.8 | 40.0 |
| Hydro | 15.0 | 10.0 | 25.0 | 18.0 | 12.0 | 30.0 | 21.0 | 14.0 | 35.0 |
| Thermal | .3 | 1.2 | 1.5 | 1.0 | 4.5 | 5.5 | 0.5 | 2.5 | 3.0 |
| Transmission | 3.0 | 5.5 | 8.5 | 0.9 | 1.6 | 2.5 | 0.7 | 1.3 | 2.0 |
| Water Supply: | 12.8 | 4.2 | 17.0 | 13.6 | 4.4 | 18.0 | 13.6 | 4.4 | 18.0 |
| Waterworks | 6.8 | 3.2 | 10.0 | 6.8 | 3.2 | 10.0 | 6.8 | 3.2 | 10.0 |
| Artesian Wells | 5.6 | 0.9 | 6.5 | 6.4 | 1.1 | 7.5 | 6.4 | 1.1 | 7.5 |
| Spring Development | 0.4 | 0.1 | 0.5 | 0.4 | 0.1 | 0.5 | 0.4 | 0.1 | 0.5 |

SERVICES DEVELOPMENT PROGRAM FOR FY 1957 TO FY 1961 (Continued)
Peso and Dollar Requirements
(In Million Pesos)

| PURPOSE | 1960 | | | 1961 | | | TOTAL REQUIREMENTS | | |
|---|---|---|---|---|---|---|---|---|---|
| | Peso | Dollar | Total | Peso | Dollar | Total | Peso | Dollar | Total |
| **B—Public Works:** | 36.7 | 7.3 | 44.0 | 36.7 | 7.3 | 44.0 | 180.3 | 35.7 | 216.0 |
| Flood Control | 4.6 | 0.4 | 5.0 | 4.6 | 0.4 | 5.0 | 23.0 | 2.0 | 25.0 |
| Public Buildings: | 27.7 | 6.3 | 34.0 | 27.7 | 6.3 | 34.0 | 135.3 | 30.7 | 166.0 |
| Elem. & Bo. Schools | 12.0 | 3.0 | 15.0 | 12.0 | 3.0 | 15.0 | 60.0 | 15.0 | 75.0 |
| Vocational Schools | 4.0 | 1.0 | 5.0 | 4.0 | 1.0 | 5.0 | 20.0 | 5.0 | 25.0 |
| Hospitals | 3.2 | 0.8 | 4.0 | 3.2 | 0.8 | 4.0 | 13.6 | 3.4 | 17.0 |
| Health Centers | 0.8 | 0.2 | 1.0 | 0.8 | 0.2 | 1.0 | 4.0 | 1.0 | 5.0 |
| Presidencias | 1.7 | 0.3 | 2.0 | 1.7 | 0.3 | 2.0 | 8.5 | 1.5 | 10.0 |
| Markets | 1.8 | 0.2 | 2.0 | 1.8 | 0.2 | 2.0 | 9.0 | 1.0 | 10.0 |
| National Buildings | 4.2 | 0.8 | 5.0 | 4.2 | 0.8 | 5.0 | 20.2 | 3.8 | 24.0 |
| Housing: | 4.4 | 0.6 | 5.0 | 4.4 | 0.6 | 5.0 | 22.0 | 3.0 | 25.0 |
| P. H. H. C. | 4.4 | 0.6 | 5.0 | 4.4 | 0.6 | 5.0 | 22.0 | 3.0 | 25.0 |
| **Public Utilities:** | 38.8 | 24.2 | 63.0 | 42.7 | 26.3 | 69.0 | 181.9 | 116.1 | 298.0 |
| Power Supply: | 25.2 | 19.8 | 45.0 | 28.2 | 21.8 | 50.0 | 113.8 | 94.2 | 208.0 |
| Hydro | 24.0 | 16.0 | 40.0 | 27.0 | 18.0 | 45.0 | 105.0 | 70.0 | 175.0 |
| Thermal | 0.5 | 2.5 | 3.0 | 0.5 | 2.5 | 3.0 | 2.8 | 13.2 | 16.0 |
| Transmission | 0.7 | 1.3 | 2.0 | 0.7 | 1.3 | 2.0 | 6.0 | 11.0 | 17.0 |
| Water Supply: | 13.6 | 4.4 | 18.0 | 14.5 | 4.5 | 19.0 | 68.1 | 21.9 | 90.0 |
| Waterworks | 6.8 | 3.2 | 10.0 | 6.8 | 3.2 | 10.0 | 34.0 | 16.0 | 50.0 |
| Artesian Wells | 6.4 | 1.1 | 7.5 | 6.9 | 1.1 | 8.0 | 31.7 | 5.3 | 37.0 |
| Spring Development | 0.4 | 0.1 | 0.5 | 0.8 | 0.2 | 1.0 | 2.4 | 0.6 | 3.0 |

APPENDIX 2-01

# THE PROPOSED EDUCATIONAL PLAN

## I. THE ELEMENTARY SCHOOL

### 1. Primary Grades—Grades I-IV

(a) Children entering primary grades will be required to study the normal general education subjects aimed to develop literacy and skills, attitudes and understandings as follows:

National Language
English
Writing and Spelling
Reading
Arithmetic
Nature Study
Social Studies (Geography, Philippine History, Health, Economics, etc. . . .)
Art, Music, Conduct
Physical Education

The courses will be graduated according to the requirements of the Filipino child's developmental level.

(b) In addition, children will use local resources for training in handicrafts. The aim here is to develop an appreciation for the practical, to bring about coordination between mind and hand, and to give training in basic manual skills rather than to train them for specific employment.

This is substantially what takes place in the primary schools at present but with more emphasis on elementary handicrafts.

### 2. Intermediate Grades—Grades V and VI

(a) The intermediate grades will continue the course in general education, but the course in nature study will extend into the field of elementary science and that of Social Studies will include elementary economics.

(b) The handicrafts course now develops into a general vocational course. This course has as its objectives orientation, stimulation of vocational interests, consumer literacy, manipulative skills, training in home mechanics, social understandings, and cultural relationships. The course besides supplying attitudes, understandings and skills provides exploratory experience which will form a basis for intelligent vocational selection. In this course, many of the students will produce articles which will have a commercial value, and in which they could acquire skilled competence. The general vocational courses include the three already in the intermediate grade curriculum—Industrial Arts, Agriculture and Home Economics.

Cottage Industries are to be added. This course enables local materials to be used, forms a basis of training in the manual crafts and leads to partial or full economic independence.

All students in the intermediate school will take the full course in general education and boys will take cottage industries, industrial arts and agriculture, while the girls will study home economics, cottage industries and agriculture.

If students should terminate their schooling at the Grade VI level they should have acquired through the general vocational course a general adaptability and handiness for many of the secondary industries which do not demand highly specialized trade skills, and this adaptability depends in large measure upon general education in background principles and processes.

## II. THE COMPREHENSIVE HIGH SCHOOL

The comprehensive high school is recommended for all provinces in as many numbers as funds will permit and population requires. It is a four year course in which general education, professional education, general vocational education and specific vocational education are developed under one roof.

### 1. The Curriculum

**First and Second Years**

During the first two years all students take the core course in addition to 2 elective courses.

(a) The core course includes:

English Language
National Language
General Science
Social Studies
General Mathematics
Physical Education

The course is designed to give students a background of general education which will equip them for intelligent living. Further, it may form the basis of a professional course if those who have elected the vocational options wish to transfer to courses in higher learning

(b) Students will, in addition to the core course, take two elective courses. These may either be two general vocational courses or one professional course and one general vocational course.

This will permit the students to lean towards their preferences without having to make an irrevocable choice. It is possible after two years of these exploratory courses for students to change to a professional or vocational course as they may desire.

The elective courses offered are:

Professional Course
Cottage Industries
Industrial Arts
Electricity
Business Education
Agriculture
Home Economics
Automotive mechanics including diesel

(c) Before the end of the second year, student services such as guidance and counselling, aptitude tests, etc. should be provided to help the student select the course to pursue further.

**Third and Fourth Years**

At the end of the first two years, students who do not wish to continue in the comprehensive school may commence apprenticeship at the age of 14 or attend existing trade or agricultural schools.

The remainder will continue in the Comprehensive School and complete the four years of secondary education.

During the second two years of secondary education in the comprehensive school, students' training becomes more specific and they make a decision to follow a professional course or specific vocational courses.

Students elect either

(1) A professional course in which they select two groups of subjects and in addition some general education. The following are the professional courses:

- Science and Mathematics
- Languages
- Mathematics

The General Educational course will include:

- National Language
- English
- Social Studies
- Physical Education

or

(2) Two specific vocational courses and in addition some general education, much of which can be applied to their vocational work as well as being a training for citizenship.

The following are the vocational courses:

- Automotive mechanics, including diesel
- Electricity
- Business Education
- Agriculture
- Industrial Crafts
- Cottage Industries
- Home Economics

The general education courses will include:

- National Language
- English
- Social Studies
- Physical Education and Applied Theoretical Work for the vocational courses selected.

**(c) Time Allocations in the Comprehensive School**

(1) During the first two years the time spent on the core course will be about 1/2 of the school day, and the remainder on the two electives;

(2) During the second two years:

(a) the professional students will spend full time on professional studies; and

(b) the vocational students will spend about 1/4 of their time on the general educational course and the remainder on the two specific vocational electives.

## III. BUDGETARY REQUIREMENTS (Provided for in the Investment Program)

(a) Equipment of the hand tool type for the elementary grades which may be obtained from Japanese reparations payments;

(b) Equipment for vocational courses on the secondary level which can be allocated also from Japanese reparations;

(c) Additional buildings to house vocational courses in all existing general high schools of which there are 283 throughout the country which could be financed out of the ₱20 million bond issue under RA 1411 for school buildings.

## IV. ADVANTAGES OF PROPOSED EDUCATIONAL PLAN

(a) It does not unduly disturb the present educational pattern;

(b) Buildings at present used as general high schools can be used as a basis, with additional buildings in some schools for housing vocational courses;

(c) It permits the increase of vocational options which may be readily introduced in the present set-up;

(d) There will be opportunities for vocational education wherever high school education is offered, whether trade schools or agricultural schools are available locally or not;

(e) It removes any suggestion of social stratification, which exists in non-homogeneous units;

(f) It removes the present traditional education towards a purely academic preparation;

(g) A saving in staffing is effected as teachers of academic subjects will be used for both the professional courses and the general education course of students following vocational electives;

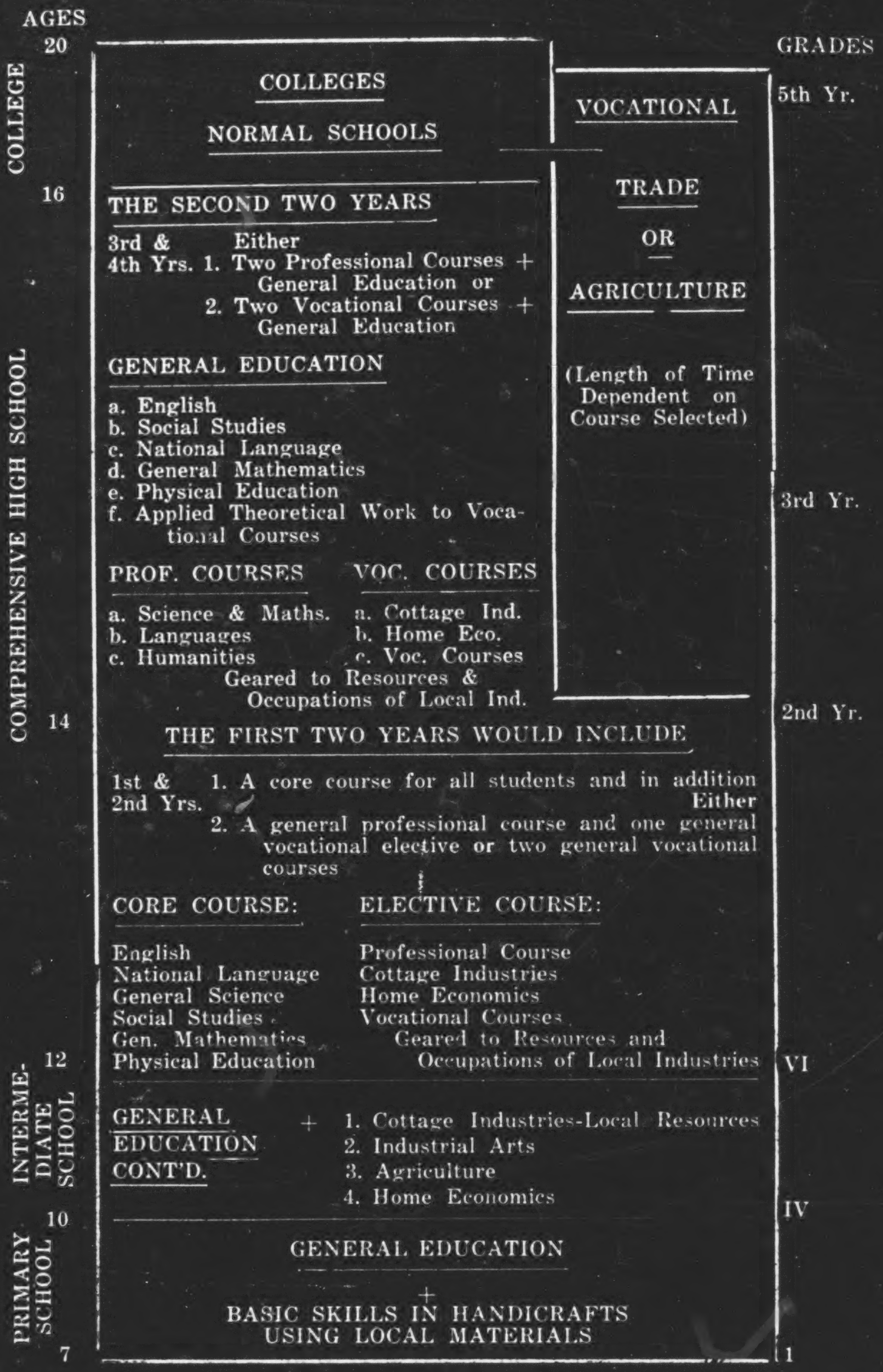
(h) Administrative costs will be reduced because a greater number can be served in one organization;

(i) Students have better opportunities to select the courses they best like as offerings are more varied and flexible within a single unit of organization giving comprehensive offerings; and

(j) Training in cottage industries commences initially in the primary school and is continued through the comprehensive school for those who elect it.

APPENDIX 2-04 (Cont'd.)

## PROPOSED PLAN OF SCHOOL ORGANIZATION



AGES
20

GRADES

COLLEGE

COLLEGES

NORMAL SCHOOLS

VOCATIONAL

5th Yr.

16

THE SECOND TWO YEARS

3rd & 4th Yrs.
Either
1. Two Professional Courses + General Education or
2. Two Vocational Courses + General Education

TRADE
OR
AGRICULTURE

(Length of Time Dependent on Course Selected)

GENERAL EDUCATION

a. English
b. Social Studies
c. National Language
d. General Mathematics
e. Physical Education
f. Applied Theoretical Work to Vocational Courses

3rd Yr.

COMPREHENSIVE HIGH SCHOOL

| PROF. COURSES | VOC. COURSES |
|---|---|
| a. Science & Maths. | a. Cottage Ind. |
| b. Languages | b. Home Eco. |
| c. Humanities | c. Voc. Courses |

Geared to Resources & Occupations of Local Ind.

14

THE FIRST TWO YEARS WOULD INCLUDE

2nd Yr.

1st & 2nd Yrs.
1. A core course for all students and in addition Either
2. A general professional course and one general vocational elective or two general vocational courses

| CORE COURSE: | ELECTIVE COURSE: |
|---|---|
| English | Professional Course |
| National Language | Cottage Industries |
| General Science | Home Economics |
| Social Studies | Vocational Courses |
| Gen. Mathematics | Geared to Resources and |
| Physical Education | Occupations of Local Industries |

12

VI

INTERMEDIATE SCHOOL

GENERAL EDUCATION CONT'D. +
1. Cottage Industries-Local Resources
2. Industrial Arts
3. Agriculture
4. Home Economics

10

IV

PRIMARY SCHOOL

GENERAL EDUCATION
+
BASIC SKILLS IN HANDICRAFTS USING LOCAL MATERIALS

7

1

## DETAILED CONSTRUCTION GOALS OF THE EDUCATION PLAN—1957-61[a]

| | PUBLIC | | | | | | | | | | | | PRIVATE | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1957 | | 1958 | | 1959 | | 1960 | | 1961 | | Five-Years-Total | | Five Years | |
| EDUCATIONAL LEVELS | Class room[1] | Pesos | Class room | Pesos | Class room | Pesos | Class room | Pesos | Class room | Pesos | Class room | Pesos | Total Pesos | Grand Total Pesos |
| GRAND TOTAL | 4,100 | 23.5 | 5,100 | 28.5 | 6,200 | 34.0 | 7,200 | 40 | 7,800 | 43.5 | 30,400 | 167.5 | 20 | 187.5 |
| ELEMENTARY[2] EDUCATION | 3,500 | 17.5 | 4,500 | 22.5 | 5,500 | 27.5 | 6,500 | 32.5 | 7,100 | 35.5 | 27,100 | 135.5 | — | 135.5 |
| SECONDARY[3] EDUCATION (Vocational) | 500 | 5 | 500 | 5 | 600 | 6 | 600 | 6 | 600 | 6 | 2,800 | 28 | 14 | 42.0 |
| HIGHER[4] EDUCATION | 100 | 1 | 100 | 1 | 100 | 1 | 100 | 1 | 100 | 1 | 500 | 5 | 6[5] | 11.0 |

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[1] Unit used is a standard classroom for 50 students at an average cost of P5,000 per unit and a standard shop or laboratory room for vocational and higher education at an average cost of P10,000 per unit.

[2] Provide elementary grades in 2,000 barrios without schools, complete elementary grades in 12,812 barrios and elementary grades for a natural increase of enrolment due to population growth at the rate of 17,500 annually.

[3] Provide needed shop and other vocational buildings in 283 general high schools, 65 new vocational schools, to meet present demand of at least one vocational school in every district and 30 new vocational schools to accommodate additional enrolment due to increase in population and interest at the rate of 1,200 a year.

[4] Provide additional laboratory and other buildings needed in University of the Philippines and other institutions of higher learning.

[5] Provide additional scientific laboratories in private universities and new vocational and chemical schools.

[a] These are estimated construction goals needed to push through the Education Program. The Investment Program provides in the public sector only P75 M for elementary education and P25 M for vocational education. It is expected that the rest will be met through self-help and the private sector. Monetary unit in table is million pesos.

APPENDIX 2-05

## AGRICULTURAL POLICIES AND OBJECTIVES

1. To increase production and the productive efficiency of the farmers by making available to them through the agricultural extension service all the benefits of modern and scientific agriculture, by demonstrating in the most practical ways new techniques and methods and new products, and by assisting farmers in all possible ways in the acquisition of necessary production facilities.

2. To diversify Philippine agriculture with emphasis given to the production of materials that will make the country self-sufficient in articles of food, shelter and clothing within the shortest possible time.

3. To provide opportunities for the expansion of the land-owning, independent group of farmer-cultivators through the speedy disposition of public agricultural lands and the gradual acquisition of large estates by purchase for resale to tenant-cultivators on liberal terms.

4. To expand and intensify agricultural research, especially along lines that will lead to increased productive efficiency, the discovery of new agricultural products of economic value, and the organization of economic information that may serve as basis for improvement of agricultural conditions.

5. To strengthen credit facilities in favor of the small farmer, tenant or farm laborer in order to free him from the clutches of usurious money lenders.

6. To develop a cooperative marketing system and organization participated in actively by the farmers to enable them to recover from alien control the marketing and distribution of agricultural products.

7. To develop and maintain high standards of quality, especially for export products through research and a rigid system of production standards and enforcement.

8. To protect and conserve the country's natural resources which form the basis of the agricultural industries—land, water, forest, mineral and wild life and marine resources to insure that they continue to be a rich source of material comfort for all generations.

9. To create employment opportunities through the development of home industries and the establishment of small manufacturing plants that will keep the rural folks occupied during the slack season.

10. To intensify education among the rural population through the improvement and expansion of vocational agricultural and trade schools, and along the lines of healthful living and dynamic citizenship; and to provide to rural folks such facilities and services as the minimum health standards would require.

APPENDIX 3-01

# PROPOSED SYSTEM OF DETERMINING INDUSTRIAL PRIORITIES[1]

## I. General Consideration

The national economic development program adopted by the NEC, of which this section forms a part, provides for its objectives the improvement of national production, raising of per capita real income and increasing employment. In other words, the program aims at strengthening the country's economic position and improving the people's welfare.

To achieve optimum attainment of these objectives, it is considered essential that a new structure of production and a balanced growth of the economy be immediately brought about in a manner that will make possible the maximum utilization of our resources, human and material.

But the pursuit of the goal towards optimum production will be limited by the scarcity of some of the resources necessary for development including specifically capital (medium and long-term credit) and foreign exchange. Therefore, it is necessary to formulate and implement a system of industrial priorities to ensure that the projects that are selected for preferential development will be those that will generate the highest measure of social benefits.

The proposal to use a priority formula to allocate scarce resources naturally implies dissatisfaction with the operation of a free market in making allocations. Nevertheless, cost-price relationships in the Philippines, although reflecting as they do a socially unhealthy economic situation, were used as one of the bases in formulating the priority formula, and when used were corrected in appropriate cases for social cost or benefit considerations.

Thus, the industrial projects that will merit priority of development under the formula are not necessarily those which cost-price relations or considerations of private gain will recommend. For this reason, in certain cases the institution of incentive measures will become necessary to induce entrepreneurs to undertake certain projects and bring about the desired structure of development.

In effect the priority formula will show which among projects proposed for establishment will receive priority in the allocation of scarce resources and in appropriate cases of some form or forms of government assistance. In general, the quantitative criteria of the system will help in the vital coordination of policies in such fields as financing, import licensing, admission of foreign investment, trade and tariff policy, foreign exchange allocations, etc.

## II. Guiding Principles of the System

In consonance with the foregoing considerations, the following policy objectives are reflected in the priority formula:

1. To direct resources towards the most productive uses.
2. To conserve foreign exchange.

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[1] Approved by the President at the Cabinet meeting of January 9, 1957.

3. To reduce unemployment.
4. To improve the distribution of real income.
5. To promote economic growth.

Accordingly, the guiding principles of the system are:

(1) Other considerations being equal, preference will be given to an industrial project that will make per unit of scarce resources expended the highest contribution to the national income. This is represented in the formula by the sum of earnings of the productive factors involved in the industrial project including those of labor, land, capital and entrepreneur.

(2) Other considerations being equal, preference will be given to an industrial project that will give per unit of scarce resource expended the highest measure of improvement in the country's balance of payments position. This is measured by the annual foreign exchange value of the product minus the value of foreign exchange directly or indirectly used in production per unit of investment.

(3) Other considerations being equal, preference will be given to an industrial project that will make the greatest use of domestically produced raw materials and operating supplies.

(4) Other considerations being equal, preference will be given to an industrial project that will make the most use of domestic labor. This is measured by the annual value of such labor per unit of scarce resource expended.

(5) Other considerations being equal, preference will be given to an industrial project that will produce goods that meet the more basic needs of the people and will produce the greater effect on the external economies.

For the purpose of the formula the value of this last factor (the essentiality factor) is applied to the first factor (national income contribution) to reflect the effect produced on the external economies to take into account other social benefit considerations such as the relative essentiality of the product for consumption purposes. This in effect will encourage the production of goods consumed by the low-income groups in greater volume resulting in the improvement of real income distribution.

The application of the essentiality factor to the national income contribution of the enterprise is a substitute for the direct measurement of the impact of the project on the external economies which is extremely difficult to make.

### Quantitative Determination of Industrial Priorities

The foregoing principles are translated into quantitative terms and interwoven in a formula to obtain the industrial priority rating of any project under test, as follows:

$$I.P. = R_1 + R_2 + R_3 + R_4$$

Where:

I.P. — Industrial Priority

$R_1$ — The value added to the national income by the factors of production involved in the project including labor, land, capital and entrepreneur, as corrected by an essentiality factor to account for the impact of the project on external economies and for other social benefit considerations, the whole per unit of capital resources utilized.

R2 — Impact of the operations of the firm on the country's balance of payments position.

R3 — The extent of additional economic values derived from the use of domestic raw materials and supplies.

R4 — The social value derived from employment of Filipino labor.

**Meaning of symbols and definition of terms**

$$R1 = \frac{e\,(w + r + i + p)}{K}$$

Where:

e — Essentiality factor determined according to (1) economic importance of the product either as a commodity for export or for domestic use, (2) source of raw materials and supplies used, (3) source of capital equipment, and (4) source and nationality of financing.

w — Compensation of all officials, employees and laborers including salaries, wages, bonuses, commissions and others. From this value is subtracted the 50 per cent of the compensation of officials and employees who are not Philippine nationals which is remitted abroad, or such portion as is estimated to be remitted abroad in the case of prospective firms.

r — Rent for the use of the land, buildings and other facilities. The following rental rates shall apply for prospective firms: Land, 8 per cent of its declared value; buildings, 12 per cent; and machinery and equipment, 16 per cent. For operating firms the imputed rent for facilities owned is already included in the profits; but rent for facilities not belonging to the firm is included. Equipment and process rentals and similar payments remitted abroad shall not be included.

i — Interest paid for borrowed capital. An interest rate of 6 per cent shall be assumed whenever actual interest rate is not known. Interest payments on foreign borrowing shall not be included.

p — Profits or returns (actual or estimated) on paid-up capital, but only to the extent of 15% of such paid-up capital. Any balance between the total fixed assets plus circulating capital used in production and the value of the rented facilities, the paid-up capital and the borrowed capital — is also to earn a return to the extent of 15% thereof. To be subtracted from the above are profits and dividends remitted abroad by the firm and its stockholders.

K — Total investment in the firm which is equal to fixed assets (owned and/or rented) plus circulating capital. For this purpose the peso component of both fixed assets and circulating capital shall be adjusted to 70 per cent thereof. The amount of circulating capital of prospective firms shall be determined according to the nature of the industry but in no case shall it be less than the peso operating costs during 3 months (excluding depreciation charges) plus the the foreign exchange operating costs (in peso equivalent) during 6 months.

$$R_2 = \frac{F.E.s/e - F.E.c}{K}$$

Where:

F.E.s/e — Foreign exchange earned or saved arising from the operation of the firm. The foreign exchange earned is the peso equivalent of the foreign exchange received by the country for the export product. The foreign exchange saved is the peso equivalent of the foreign exchange value of the "import-substitute" product. Import substitute is defined, as: (1) any product that was imported into the Philippines at sometime in the past or is an acceptable substitute thereof, (2) any product which, although never imported, will serve a useful purpose or is otherwise necessary for economic development. The foreign exchange value to be credited in the case of consumer goods shall be adjusted to the amount of foreign exchange expenditure which the economy could sustain if the product were to be imported. In the case of producer goods the foreign exchange value of which is indeterminate, the foreign exchange rates shall be taken to be equal to 70 per cent of the wholesale value of the product.

F.E.c — Actual foreign exchange cost (C&F or CIF) incurred in production including that for imported raw materials and supplies, salaries of foreign personnel, profits and divident remittances, interest payments, amortization of value of assets acquired with foreign exchange, royalty payments, technical and consulting services, business trips abroad, and all other foreign exchange outlays.

Where the imported component of a domestically processed intermediate product exceeds value-wise 50 per cent of the cost of that product, the value of the imported component shall also be considered as part of the foreign exchange costs of the firm. If the foreign exchange for the acquisition of assets is supplied by the Central Bank, it shall be amortized over a period of 10 years. If not supplied by the Central Bank, the actual amortization shall be used.

$$R_3 = \frac{0.5 \times \frac{rm_d}{rm_t} \times rm_d}{K}$$

Where:

$rm_d$ — Value of domestic materials and operating supplies used in production, excluding the value of the imported component of domestically processed intermediate products whenever such imported component exceeds value-wise 50 per cent of the value of that intermediate product.

$rm_t$ — Value of the total raw materials and supplies used in production.

The coefficient, $0.5 \times \frac{rm_d}{rm_t}$, represents a measure of the additional economic value generated by the utilization of the domestic materials and supplies.

$$R_4 = \frac{L_f \times 2{,}000}{K}$$

Where:

$L_f$ — Number of paid Filipino workers (officials, employees, and laborers employed during at least 300 days a year). A uniform average of ₱2,000 per annum corresponding to 300 working days is to be used in determining the social value arising from the employment of the Filipino workers.

## IMPLICATIONS OF THE FORMULA

As formulated, the foregoing formula would, all other considerations being equal, mean or imply the following:

**With respect to national income contribution:**

**1. The firm in which labor income as a contribution to national product is high in terms of capital investment will have a high priority.**

A high labor income results from a highly labor-intensive industrial process; or within the same industry when the firm pays relatively higher wages. This statement does not imply that the National Economic Council is unqualifiedly in favor of labor-intensive industrial projects in all cases. Exception may be made in cases where productive efficiency may become so reduced by a labor intensive process as to impair the competitive prospects of the product if for export, or unduly raise its price to the prejudice of consumers if for domestic use.

It is obvious that a firm which pays relatively better wages than others in the same industry, if this factor will raise its priority rank above the rest, will deserve the preference since it satisfies one of the basic social objectives of the program — that of a more equitable distribution of income.

**2. The prospective firm in which paid-up capital is high in terms of total capital investment shall have a high priority.**

This is clear from the fact that, as constituted, the formula provides for a maximum of 15 per cent of profit based on paid-up capital. If equity capital is high in terms of total capital investment, scarce credit resources to the extent not utilized by the firm will become available for other investment purposes. Furthermore, this situation gives the entrepreneur a greater incentive to make a success of the enterprise than where a high percentage of the investment is borrowed capital.

**3. The firm that would remit abroad a higher percentage of the income arising from the industry will have a correspondingly lower priority.** It is understood that only such income arising from any economic activity that accrues to the economy represents a contribution to the same extent to the national income. That which is remitted abroad becomes a contribution to the national income of the country of destination of the foreign exchange remittance.

**Essentiality of industrial project:**

It is noted that the formula takes into consideration the effect of the establishment of the industrial project on the external economies. This is done by applying its essentiality factor on the measure of its direct contribution to the national income. From the essentiality factor,

**4. The firm that will export its product in finished form will have a higher priority than one that will export the same product in a lower state of manufacture.** In general the productive enterprise that would carry out a process to the highest state of industrialization of the product will account for a relatively higher contribution to the national income — the equivalent of the incomes of the various factors of production. It would seem, therefore, that this criterion duplicates the foregoing considerations bearing on national income contribution. There is, however, to this criterion more than its implication in terms of value added to the national income. Firstly, manufacturing to the finished form implies relatively complex processes and, therefore, opportunities for the greater development of labor skills and technical know-how for our manpower. Secondly, the exportation in finished form of a product in a case where our country enjoys natural advantages in the production of the raw material (as in the case of Philippine logs for plywood) eliminates the possibility of the importing countries competing with us in the foreign market.

**5. A firm that will produce a producer good or service for the use of other industries will be given preference.** Such a firm will assure the continued operation of industries using the product which is an important consideration in view of the scarcity of foreign exchange for the importation of the product if not domestically produced or not sufficiently produced locally. Such a firm, therefore, will not only by itself contribute to increasing the national income but will also enable other industries to operate and contribute to the national income.

**6. Among producers of consumer goods, a firm that will produce essential consumer items or meet basic human needs will be given preference.** The practical implication of this principle is that essential consumer items become available in adequate quantities resulting in reduced prices. This would mean increased real income for the masses.

**7. A firm which will utilize materials imported in finished or semi-finished form will be given less preference.** In general, there is very little value that a firm can add to a product used in manufacture as a contribution to the national income if the materials for that product are imported in finished or semi-finished form. This is best illustrated by the manufacture of drug tablets made out of drug powder. Packaging and assembly-type industries are considered less essential under the development program.

**8. A firm which will utilize a high percentage of its equipment out of locally fabricated equipment will be given preference.** It is assumed that no undue sacrifice of technological efficiency is made when locally fabricated equipment is used. Here again the beneficial effect on another industry — in this case the manufacture of the equipment—is taken into consideration. This is the so-called induced effect of the industrial project on other industries or impact on the external economies.

**9. A firm that is financed entirely or mostly by nationals (Filipino citizens) will be given preference.** This criterion does not necessarily bar foreign investment which would be contrary to the desire to attract foreign investment. It simply means that all other considerations being the same Filipino nationals will enjoy preference in the allocation of scarce resources. This is justified by the fact that there is relatively greater stability in an enterprise that is operated by nationals. Furthermore, the enterprise would provide or expand better opportunities for training Filipinos to acquire management skills and techniques. This is not to mention the fact that the earnings of nationals are likely to be plowed back into the national economy — something that cannot be guaranteed in the case of the profits of foreign investments.

**With respect to the impact on the balance of payments position:**

**10. Firms which will produce commodities with higher foreign exchange values for every unit of capital will be given preference assuming that the foreign exchange costs incurred in production are the same.** Under the formula, cost-price relations determine the foreign exchange value of the product because the peso equivalent of the foreign exchange value is taken as 70 per cent of the wholesale value of the product. However, to express the true measure of the impact of the firm's operation on the country's balance of payments position, the foreign exchange cost of imports or value of exports should, whenever possible, be verified from prevailing import or export prices for the same product.

**11. Firms that produce goods or services involving the least expenditure of foreign exchange will be preferred to others.** The items of foreign exchange costs appear earlier in this Appendix, but what can be more considerable items of remittance include raw materials, profits and dividend remittances and amortization of foreign borrowings. It is obvious that the smaller these items are the higher will be the net foreign exchange saving or earning per unit of capital invested.

**12. On a long range basis foreign loans to Philippine nationals are preferable to foreign direct investments.** Rate of entrepreneural profits are higher generally than interest rates charged by international financing institutions, and under current regulations governing remittance of profits it will be more advantageous to the Philippine balance of payments position if foreign loans are used to finance local investments than if foreign investors come over with equity capital.

**With respect to utilization of domestic materials:**

13. **Firms using raw materials and supplies coming mainly from domestic sources will be given preference.** As indicated earlier, the term domestic material or supplies does not include the full value of such materials or supplies used in production which, although processed locally, are made out of imported raw materials the value of which exceeds 50 per cent of the value of the material.

The preference given to materials and supplies of local origin and processing is based on the desire to stimulate the production of such materials or supplies.

14. **Firms that use raw materials of relatively higher value per unit of capital invested will have a higher priority under the formula.** For consumer items the difference in value of raw materials per unit of capital invested is true generally as between basic consumption goods and luxury items. But the advantage in value will be offset by the fact that the essentiality factor for luxury items is lower than that for basic or essential consumer goods.

15. **Firms that employ more Filipino workers per unit of capital invested will be given preference.** This is in effect the meaning of the fourth "R" of the formula since a uniform average annual compensation of ₱2,000 per worker is allowed. As discussed earlier, this criterion does not necessarily reflect a blanket policy in favor of labor-intensive industries.

### Qualitative Considerations Affecting Industrial Priorities

It is understood that determination of industrial development priorities will not be solely governed by the quantitative method discussed above. There are considerations that do not easily lend themselves to quantification or are difficult to reduce to a fixed measure but yet are pertinent to industrial priority determination. Among these considerations are:

(1) **Overcrowding of an Industry** — As a general principle a proposed industrial project should not be considered no matter how high it rates quantitatively in industrial priority if the industry to which it belongs is relatively overcrowded as of the period of proposed establishment. This will avoid the investment of scarce resources in industries where capital may be unnecessarily tied up to the relatively slow turnover of the products of such overcrowded industries. There are, however, other factors that may be considered such as the benefits that the establishment of the project will produce to the consumers as, for example, a distinctly superior process in producing a particular product which can result in reduced prices to the public.

For the purpose of the administration of this system of industrial priorities, the establishment of a new addition to an industry will be construed to result in uneconomic overcapacity of the industry if the aggregate productive capacity of all existing plants producing the commodity or practical substitute of the same, including the capacity of plants already approved for establishment or in process of being established, is in excess of the local effective demand for the product. An allowance of 20 per cent of the effective demand may be made to take care of additional demands in the country and export possibilities.

The productive capacity of a plant shall be determined by ascertaining the quantity of the product in measurable units which the plant is producing consistently during one year, with the productive facilities readily available thereto and using those facilities during as many working shifts per day and as many days per year as its operating condition will permit without straining or overloading the plant at the sacrifice of its overall efficiency.

With cost and quality considerations remaining the same, the expansion of already operating firms shall be given preference over new projects unless the establishment of the latter will, with certainty, improve competition for the benefit of the public.

(2) **Established Government Policy for Specific Industries** — The established policies of the government regarding industries that it does not seek to encourage through the imposition of high taxes for reasons of health or morale such as cigarette and liquor manufacture should take precedence over the quantitative industrial priority rating of an industry in considering industrial development preferences. Similarly, legislative or executive decisions to give emphasis to the development of a specific industry or industries should prevail over the quantitative priority rating of such industry or industries.

(3) **Effect of Abnormal Factors** — Abnormal factors of pricing of labor, materials, and products should be taken into consideration in determining the priority of development of an industrial project since such abnormal factors may unduly raise or reduce the true priority level of an industrial project or may give a less economically desirable project a higher preference rating than a desirable project. Abnormal prices may be the result of market manipulations or practices which certainly should not be permitted to affect the order of industrial development on the basis of the needs of the economy. It is obvious that even inaccurate reporting of data (deliberately done or otherwise) can change the true industrial priority rating of a project, but it is understood that such data will be subject to check by competent and reliable technicians.

(4) **Possible Effect on Increased Domestic Production of Raw Materials.** In determining the priority of development of a particular project, consideration should be given to the possibility of stimulating the production of the raw material or its substitute which for the present is imported. In other words, the quantitative rating that an applicant project may receive under the formula if the raw materials were to be imported should not be taken as the real measure of the priority of development if there are strong reasons to believe that the raw material can later be produced in required quantity at reasonable cost.

(5) **Other Special Considerations.** There are other factors which must be considered in determining the priority of development of an industrial project, but their evaluation may be left to a technical committee responsible to the National Economic Council.

## Practical Application of the System of Determining Industrial Priorities

This system of determining industrial development priorities is intended to govern the extension of credit by government banking or financing institutions, the grant of foreign exchange allocation, tax exemption, acquisition and distribution of reparations materials, application of foreign aid to industrial development, the allocation of scarce materials owned or produced by the government or government corporations, and other action involving other forms of government assistance or protection to industry.

It is intended that the principle and procedure of application of the system to various programs be the subject of discussion and agreement between the NEC and each of the agencies concerned. It is sufficient to state that the principle and procedure of aplication do not defeat the objectives sought to be achieved by the institution of a system of industrial development priorities. It is possible that the adoption of the system of industrial development priorities as a basis for action by the agencies involved in the establishment of new industries, expansion and/or maintenance or operation of already established industries may infringe upon established agency policies or procedures. It is needless to state that in such a case efforts must be exerted to adjust the agency policies or procedures to the requirements of the overall system of determining industrial development priorities.

## Management Aspect of the System

**1. Creation of a Technical Committee** — The enforcement of the system of determining industrial priorities once adopted will be a matter of continuing responsibility for the National Economic Council. Thus, it will be necessary to create a technical committee that will, among other functions, perform the following:

a) Undertake studies to improve upon the principle, structure and application of the system:

b) Re-examine the criteria that govern the quantitative aspect of priority determination and the validity of the qualitative considerations;

c) Assist or coordinate with appropriate agencies in the application of the system to their respective programs;

d) Determine such other areas or programs where the system of industrial development priorities may be used as a basis for action;

e) Conduct such studies and make such recommendations as may be found desirable to the National Economic Council on matters that bear on the system.

**2. Inter-Departmental Coordination** — Since the various agencies that are required to take action in connection with the establishment, expansion or operation of industries maintain their own procedures and technical personnel, it is possible that the same basic information may be differently evaluated for purposes of its use in determining priority of action or as a basis for approval of a pertinent request by an agency. The result could be that appropriate actions taken by various agencies on an applicant industrial project may not be consistent with one another. In such a case the various agencies concerned should coordinate their efforts to the end that the same basic data pertaining to an industrial project under consideration are consistently used by all agencies. Ideally, there should perhaps be only one set of technicians that will check on the accuracy or validity of basic information submitted by applicant firms. There is equal need for inter-departmental coordination on the principles involved in acting on applications in the order in which they are received since this may have a bearing on the extent of aid that an applicant firm may get and the time it will get the aid.

### Recommendations

In view of the foregoing facts and considerations, it is recommended:

1. That the policy and system of determining industrial development priorities herein presented should be adopted to govern the program of industrial development;

2. That once approved by the President upon recommendation of the Council, the system be discussed with the various agencies involved for the development of such procedures as will be suitable to their programs but at the same time be in conformity with the objectives of the system.

3. That a technical committee responsible to the Council be created by the National Economic Council for the purpose of conducting such studies as will improve the system and ensure its vigorous and efficient application.

4. That general publicity be given to the system for the information and guidance of prospective investors as well as those now engaged in the manufacturing industries.

## PRINCIPLES UNDERLYING THE PRIORITY SYSTEM[1]

The many economic principles involved in the attainment of the developmental goals and which are to be reduced to measurements are interwoven in a fine mesh. It is not possible to cover all of them, much less to include them all, in the model. The more important principles are discussed below. A modicum measure of grouping is used to make these principles easier to interpret although the groupings are non-restrictive.

The following economic values generated in production are suited to serve as guideposts of the industrial priority system and are used as the basis for grouping the principles:

a) Value added to national product in the form of income and employment;
b) Strengthening of the balance of payments position of the country;
c) Alleviation of the unemployment situation, and development of skills;
d) Extra values added due to and from external economies; and
e) Production of basic and essential goods and services.

### I. Value added to National Production in the Form of Income

All production activities add to the nation's income corresponding to the values added to the product by the four factors of production employed by an enterprise. The total value added by an enterprise is the sum of the shares of these factors in the revenue or income of the enterprise resulting from its operations, i.e., rent, interest on capital, compensation of labor, and profits before income tax. The amount of value added to our export products is proportional to the degree of the processing they have undergone i.e., raw material exports contain only a small value added compared to finished export products. Conversely, a finished imported product embodies the greater portion of its value and has generated employment and income in the country of its origin.

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[1] Prepared by the Department of Economic Research, Central Bank of the Philippines.

Only the values of distribution remain to be added in the country of destination. Products for local consumption embody a greater value added domestically the more domestic raw materials, capital and labor are utilized in their production.

The criteria for the first guidepost will therefore be:

1. THE GREATER THE VALUE ADDED BY DOMESTIC FACTORS IN PRODUCTION AS DISTINGUISHED FROM THOSE ADDED BY FOREIGN FACTORS, THE GREATER THE DOMESTIC EMPLOYMENT AND THE INCOME WHICH ACCRUE TO THE NATION.
2. THE HIGHER THE DEGREE OF PROCESSING EXPORT PRODUCTS HAVE UNDERGONE DOMESTICALLY, THE GREATER THE DOMESTIC EMPLOYMENT AND THE INCOME WHICH ACCRUE TO THE NATION.

## II. Strengthening of the Balance of Payments Position

The demands of industries and consumers for foreign exchange greatly exceed the normal foreign exchange resources of the country. This imbalance creates an extra value or premium on the foreign exchange earnings and or savings of a production unit. Therefore,

3. FIRMS WHICH WILL REALIZE GREATER FOREIGN EXCHANGE EARNINGS AND/OR SAVINGS WILL TAKE PRECEDENCE OVER FIRMS WHICH WILL REALIZE LESS.
4. THE HIGHER THE DEGREE OF PROCESSING UNDERGONE BY AN EXPORT PRODUCT, THE GREATER THE FOREIGN EXCHANGE EARNING; AND CONVERSELY; THE LESSER THE DEGREE OF PROCESSING OF THE IMPORTED MATERIALS AND SUPPLIES USED IN DOMESTIC PRODUCTION. THE MORE THE FOREIGN EXCHANGE SAVING.

Aside from these, however, it is necessary to distinguish dollar-earning from dollar-saving enterprises. Restricting the area within the balance of payments position, the net effect would be the same when an enterprise earns or saves dollars, provided the same quantities of foreign exchange are involved. However, widening the range of perspective would show that dollar saving is more necessary to development than dollar earning, with the amount of domestic value added as the deciding consideration.

The financial structure of the enterprise is also pertinent to this guidepost in view of the high marginal efficiency of capital in this country. Entrepreneural earnings may be expected to be much higher than the interest rate usually charged by international financial organizations and private money markets. The remittances of profits or earnings would therefore entail a bigger outlay of foreign exchange than payments of interests on loans. As a natural consequence of profit remittances, earnings of the investments of aliens are to be distinguished from those of foreigners since the former are, generally, retained in the country. For this purpose, aliens are defined as non-nationals living in the Philippines and foreigners as non-nationals living abroad.

Hence, the following criteria may be stated:

5. DOLLAR-SAVING ENTERPRISES WILL HAVE PRIORITY OVER DOLLAR-EARNING ENTERPRISES WHOSE EARNINGS ARISE

FROM THE PRODUCTION AND EXPORT OF PRIMARY COMMODITIES.

6. ENTERPRISES FINANCED BY FOREIGN LOAN CAPITAL WILL TAKE PRIORITY OVER THOSE FINANCED BY DIRECT FOREIGN INVESTMENT.

7. IN GENERAL, INVESTMENTS OF ALIENS SHALL HAVE PRIORITY OVER INVESTMENTS BY FOREIGNERS, BUT INVESTMENTS OF NATIONALS SHALL HAVE PRIORITY OVER ALL.

### III. Alleviation of the Unemployment Situation and the Development of Skills.

Output may be taken as the product of the quantity (input) of labor and the productivity of labor. In appraising the progress of the United States economy in the last five decades, Professor Mills concluded that "the great gain of total output was won with our increase in our labor input well below the increase in population. The major instrument in winning this dual gain was enhanced productivity." The quantity of labor used depends on the nature of the other factors of production (i.e., capital), specifically, on their flexibility. The productivity of labor is positively correlated with the productivity of the equipment it uses. In general, the more productive types of equipment are highly specialized and require skilled operators.

Since unskilled labor is abundant in this country, the employment of redundant labor results in two economic advantages:

(1) it improves the skill of labor, and thereby, increases its productivity; and

(2) the increase in the volume of products resulting from its employment is greater than the increase in the consumption of otherwise idle labor.

The following criteria may therefore be stated:

8. A FIRM WHICH USES LABOR-INTENSIVE PROCESSES TAKES PRIORITY OVER FIRMS USING CAPITAL-INTENSIVE PROCESSES, EXCEPT WHERE THE GREATER PORTION OF THE CAPITAL EQUIPMENT IS PRODUCED LOCALLY.[1]

9. A FIRM EMPLOYING LABOR WHICH WOULD OTHERWISE BE IDLE GENERATES A VALUE GREATER THAN THE COMPENSATION OF THAT LABOR.

### IV. Extra Value Added Due to External Economies and Production of Basic and Essential Services

Aside from the values it creates on its own, the activities of a firm induce reactions in the economy as a whole and the other sectors within the economy. The firm is linked with the other sectors of the economy through the nature of its inputs and outputs. The firm may produce some intermediate products or services (output-essentiality) necessary for the operation of other producers either as a raw material, or chemical agent, or source of power. On the other hand, this same firm may require intermediate products or services (input-external economies) in the production process which can be supplied by domestic resources. In general, this firm will occupy a more vital position in the country's industrial development than another firm producing solely for direct consumption and using imported intermediate products or services.

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[1] We recognize the danger of a misapplication of this criterion, since industrial development itself is identified with growing capital intensity in the productive structure of a country. This principle is enunciated to point out the dangers associated with an over-rapid industrialization. The parallel growth of progress and poverty in the comparable stages of development in England and the U.S. is a dramatic historical illustration of this problem.

For these considerations,

10. FIRMS PRODUCING, AS THEIR PRINCIPAL OUTPUT OR AS AN IMPORTANT BY-PRODUCT, COMMODITIES OR SERVICES ESSENTIAL TO THE PRODUCTIVE ACTIVITY OF OTHER FIRMS ALREADY EXISTING WILL TAKE PRECEDENCE OVER FIRMS PRODUCING SOLELY FOR DIRECT CONSUMPTION.
11. FIRMS WHOSE INPUTS CAN BE SUPPLIED BY LOCAL INDUSTRIES ALREADY EXISTING OR CAPABLE OF BEING CALLED INTO EXISTENCE IN THE PROXIMATE FUTURE, WILL TAKE PRECEDENCE OVER FIRMS WHOSE INPUTS MUST BE SUPPLIED BY FOREIGN SOURCES EITHER PERMANENTLY OR FOR A LONG TIME TO COME.
12. A FIRM PRODUCING CONSUMER PRODUCTS WHICH SATISFY MORE BASIC HUMAN NEEDS WILL TAKE PRECEDENCE OVER THOSE WHICH PRODUCE FOR LESS BASIC NEEDS.
13. AMONG FIRMS PRODUCING COMMODITIES WHICH ARE NOT ESSENTIAL OR FUNDAMENTAL NEEDS, THOSE WILL TAKE PRIORITY WHICH PRODUCE GOODS THE DEMAND FOR WHICH IS GREATER THAN THE SUPPLY, TO MAINTAIN THE STABILITY OF DOMESTIC PRICES.

### V. Other Considerations

Aside from the income, employment, and foreign exchange earning and saving generated by its operations, a firm also affects the elevation of the standard of living through its pricing policy. The most effective medium for elevating the standard of living is the lowering of prices because it covers the entire economy and is effected almost instantaneously.

Some firms, taking advantage of the current economic imbalances and the protection given their products from foreign competition, realize "abnormal profits". These abnormal profits are realized through the price mechanism and in direct conflict with the measure for elevating living standards by price reduction. Efficient allocation of resources requires that the distribution of production be as widely dispersed as possible. The immediate goal, necessarily, is the increase in output to the quantity demanded. Therefore, to get the most of the limited resources available, firms should be discouraged from entering an established industry[1] whose output is sufficient to meet domestic and foreign demand, except for price reduction purposes. The following criteria may then be stated:

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[1] We are using the strict definition of an "industry" ordinarily used in economic analysis, viz., a firm or group of firms producing commodities that are identical or very close substitutes for one another.

14. NEW PRODUCERS ESTABLISHING A NEW INDUSTRY SHALL TAKE PRIORITY OVER NEW PRODUCERS ENTERING AN ALREADY ESTABLISHED INDUSTRY.[2]

15. NEW PRODUCERS ENTERING ALREADY EXISTING INDUSTRIES SHALL HAVE PRIORITY IF THE AMOUNT OF THE PRODUCT IMPORTED INDICATES THAT ALREADY EXISTING FIRMS ARE UNABLE TO SUPPLY THE TOTAL DEMAND FOR IT.

16. FIRMS REALIZING REASONABLE RATES OF INVESTMENT RETURN SHALL HAVE PRECEDENCE OVER THOSE REALIZING "ABNORMAL" PROFITS.

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[2] There is added theoretical argument for this criterion in the contention that what gives rise to economic development is the pushing of investments into a wide diversity of fields. In an exchange economy, ultimately, commodities (goods and services) exchange for other commodities, and it is diversified production which creates effective demand. See R. Nurkse, **Problems of Capital Formation in Underdeveloped Countries**, New York: Oxford University Press, 1953.

APPENDIX 3-01 (Cont'd.)

## DIAGRAMMATIC REPRESENTATION OF THE ECONOMIC PRIORITY FORMULA

**for determining**

**PRIORITY RATINGS**

**(IP)**

**of**

**INDUSTRIAL FIRMS**

The sum of

| ($R_1$) | ($R_2$) | ($R_3$) | ($R_4$) |
|---|---|---|---|
| National Income Ratio | Balance of Payments Ratio | Domestic Material Utilization Ratio | Filipino Labor Employment Ratio |

multiplied

by

1000

## NATIONAL INCOME RATIO

(R1)

**Essentiality Factor (e)**

Depending upon: (1) Economic importance of domestic or export product.
(2) Source of raw materials and supplies.
(3) Source of capital equipment.
(4) Source of financing.
(Rated within a range of 0.5 to 2.5 points according to Check Sheet A.)

**multiplied by**

the sum of

| (w) | (r) | (i) | (p) |
|---|---|---|---|
| **Compensation** of all officials, employees and laborers, including salaries, wages, bonuses, commissions, allowances and others. | **Rent** for the use of land, buildings and other facilities not belonging to the firm, to the extent of the following rates:<br>On land, 8%<br>On buildings, 12%<br>On machinery and equipment, 16%. | **Interest** payments on borrowed capital, assumed at 6% if the actual rate is not known. | **Profits** or returns (actual or estimated) on paid-up capital, but only to the extent of 15% of such paid-up capital.<br>Any balance between the total fixed assets plus circulating capital used in production and the value of the rented facilities, the paid-up capital and the borrowed capital—is also to earn a return to the extent of 15% thereof. |
| **Minus** | **Minus** | **Minus** | **Minus** |
| 50% of the compensation of officials and employees who are not Philippine nationals, or who remit salary savings abroad in foreign exchange. | Equipment and process rentals and similar payments remitted abroad. | Interest payments on foreign borrowings. | Profits and dividends remitted abroad by the firm and its stockholders. |

**divided by**

(K)

Total investment in the firm which is equal to fixed assets (owned and/or rented) plus circulating capital. For this purpose the peso component of both fixed assets and circulating capital shall be adjusted to 70 per cent thereof. The amount of circulating capital of prospective firms shall be determined according to the nature of the industry but in no case shall it be less than the peso operating costs during 3 months (excluding depreciation charges) plus the foreign exchange operating costs (in peso equivalent) during 6 months.

## Balance of Payments Ratio

(R2)

---

(FE s/c)

Foreign exchange actually received by the country for products exported; and/or the foreign exchange value of import-substitute products sold for domestic use or consumption, expressed in their peso equivalents.

An import-substitute product is (1) any product of any kind that was imported at sometime in the past, or an acceptable substitute thereof, or (2) any product which, although never imported, will serve a useful purpose or is otherwise necessary for economic development.

Foreign exchange value of import-substitute products—if indeterminate—may be taken as seven-tenths (0.7) of wholesale peso value of such products.
Foreign exchange value of consumer products for domestic sale—to be adjusted to that amount which the economy can afford or sustain if the products were to be imported.

---

minus

---

(FEc)

Actual foreign exchange costs incurred in production, expressed in their peso equivalents, including:

- Value of imported raw materials and supplies
- Amortization of value of assets acquired with foreign exchange
- Profit, dividend and interest payment remittances
- Salaries of alien personnel
- Technical and consulting services and royalties
- Business trips abroad
- All other foreign exchange outlays of the firm
- Foreign exchange component of all materials and supplies obtained from domestic sources ~~but~~ for which more than 50% of the value thereof was imported for their production.

If the foreign exchange for the acquisition of assets is supplied by the Central Bank, it shall be amortized over a period of 10 years; if not supplied by the Central Bank, the actual amortization shall be used.

---

divided
by

---

(K)

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## DOMESTIC MATERIAL UTILIZATION RATIO

($R_3$)

---

($rm_d$)

Value (fob plant) of all domestic materials and supplies used in production.

**minus**

Foreign exchange component thereof if more than 50% of their value was imported for their production by others.

---

multiplied

by

---

One-half (0.5) of the ratio between—

(a) Value of domestic materials and supplies used in production ($rm_d$)

and

(b) Total value of all materials and supplies used in production ($rm_t$)

---

divided by

---

(K)

---

## FILIPINO LABOR EMPLOYMENT RATIO

($R_4$)

---

($l_d$)

Number of Filipino nationals employed regularly by the firm, including officials, employees and laborers.

---

multiplied by

**₱2,000**

divided by

---

(K)

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## CHECK SHEET A

## FOR ESSENTIALITY RATING (e)

Points Allowed

| | 2.5 | 2.0 | 1.5 | 1.0 | 0.5 |
|---|---|---|---|---|---|
| 1A. Economic Importance of Export Product | Product to be largely exported in finished form. | Product to be partly exported in semifinished and partly in finished form. | Product to be largely exported in semifinished form. | Product to be partly exported in semiprocessed form and partly in raw form. | Product to be largely exported in raw form. |
| 1B. Economic Importance of the Domestic Product | Product largely for use by other industries. | Products partly for other industries and partly for consumption. | Products largely for basic human needs. | Products partly for basic and partly for less basic human needs. | Products largely luxurious or unessential. |
| 2. Materials and Supplies Used | Materials largely from domestic sources. | Materials partly imported and partly in domestic raw form or largely imported in raw or semi-finished form but their early availability from domestic sources is fairly certain. | Materials partly imported and partly domestic in raw and semi-finished form. | Materials largely imported in raw and semi-finished form. | Materials largely imported in finished and semi-finished form. |
| 3. Capital Equipment | Uses capital equipment entirely fabricated locally. | Uses capital equipment largely fabricated locally. | Uses capital equipment partly imported and partly locally fabricated. | Uses capital equipment with very little local fabrication. | Uses capital equipment entirely imported. |
| 4. Source of Financing | Financed entirely by nationals, with paid up capital more than 50% of total investment required. | Financed entirely by nationals, with paid up capital less than 50% of total investment required. | Financed largely by nationals and partly by foreigners and or aliens, or with foreign loans. | Financed partly by nationals and largely by foreigners and/or aliens, or with foreign loans. | Financed entirely by foreigners and/or aliens. |

# MATHEMATICAL EXPRESSION
# OF THE
# ECONOMIC PRIORITY FORMULA

$$IP = (R_1 + R_2 + R_3 + R_4) \times 1000$$

or

$$IP = \left[\frac{e(w + r + i + p)}{K} + \frac{FE\ s/c - FE_c}{K} + \frac{rmd \times 0.5\ rmd/rmt}{K} + \frac{2000\ ld}{K}\right] \times 1000$$

(All numerators cover annual values).

## ILLUSTRATIVE PRIVATE INVESTMENT SCHEDULE, 1957 - 1961, IN AGRICULTURE

(In thousand pesos)

| PROJECTS | Annual Requirements | | | | | Totals |
|---|---|---|---|---|---|---|
| | 1957 | 1958 | 1959 | 1960 | 1961 | |
| 1. Crop Production— | | | | | | |
| Priority I: | 57,979.8 | 49,709.0 | 46,237.8 | 50,130.8 | 49,725.0 | 253,782.4 |
| 1. Rice production | 27,264.3 | 24,835.0 | 23,319.8 | 24,259.4 | 24,300.0 | 123,978.5 |
| 2. Corn production | 4,530.5 | 4,800.0 | 4,393.0 | 4,916.4 | 5,130.5 | 23,770.4 |
| 3. Root crop production | 7,807.0 | 7,800.0 | 8,400.0 | 8,790.0 | 8,764.0 | 41,561.0 |
| 4. Ramie production and establishment of processing mills | 9,748.0 | 3,000.0 | 3,540.0 | 2,540.0 | 3,411.3 | 22,239.3 |
| 5. Cotton production | 4,649.0 | 6,090.0 | 2,665.0 | 5,705.0 | 5,535.7 | 24,644.7 |
| 6. Abaca production | 3,981.0 | 3,184.0 | 3,920.0 | 3,920.0 | 2,583.5 | 17,588.5 |
| Priority II: | 21,584.9 | 22,426.6 | 20,501.1 | 21,118.2 | 25,115.3 | 110.746.1 |
| 1. Copra (coconut) production | 4,661.7 | 2,550.0 | 2,370.3 | 2,120.0 | 1,620.0 | 13,322.0 |
| 2. Tobacco production | 2,870.0 | 2,380.0 | 2,340.8 | 1,873.7 | 730.0 | 10,194.5 |
| 3. Sugar production | 1,473.7 | 2,500.0 | 1,000.0 | 1,000.0 | 1,560.9 | 7,534.6 |
| 4. Fruits and nuts production | 4,375.0 | 5,500.0 | 6,100.0 | 6,800.0 | 8,823.4 | 31,598.4 |
| 5. Vegetable production, except onions and potatoes | 4,350.0 | 5,500.0 | 5,150,0 | 5,500.0 | 6,991.0 | 27,491.0 |
| 6. Rubber production | 1,196.0 | 912.0 | 500.0 | 480.0 | 630.0 | 3,718.0 |
| 7. Coffee production | 1,598.5 | 1,880.0 | 2,040.0 | 1,844.5 | 2,050.0 | 9,413.0 |
| 8. Beans and peas production | 1,060.0 | 1,204.6 | 1,000.0 | 1,500.0 | 2,710.0 | 7,474.6 |

| PROJECTS | Annual Requirements | | | | | Total |
|---|---|---|---|---|---|---|
| | 1957 | 1958 | 1959 | 1960 | 1961 | |
| Priority III: | 2,942.5 | 3,960.8 | 3,403.0 | 3,970.8 | 5,458.8 | 19,735.9 |
| 1. Citrus production | 995.0 | 1,600.0 | 1,403.0 | 1,500.0 | 1,700.5 | 7,198.5 |
| 2. Onion production | 772.5 | 864.4 | 740.0 | 830.0 | 1,117.0 | 4,323.9 |
| 3. Peanut production | 717.5 | 800.0 | 700.0 | 950.8 | 1,813.0 | 4,981.3 |
| 4. Cacao production | 285.0 | 486.0 | 400.0 | 490.0 | 591.3 | 2,252.3 |
| 5. Potato production | 172.5 | 210.4 | 160.0 | 200.0 | 237.0 | 979.9 |
| Priority IV: | 464.7 | 441.5 | 390.0 | 435.0 | 565.7 | 2,296.9 |
| 1. Maguey production | 85.7 | 80.7 | 70.0 | 75.0 | 104.0 | 415.4 |
| 2. Kapok production | 85.7 | 80.7 | 70.0 | 80.0 | 115.2 | 431.6 |
| 3. All other food crops | 146.3 | 130.1 | 120.0 | 130.0 | 166.0 | 692.4 |
| 4. All other technical crops | 147.0 | 150.0 | 130.0 | 150.0 | 180.5 | 757.5 |
| Sub-Total | 82,971.9 | 76,537.9 | 70,531.9 | 75,654.8 | 80,864.8 | 386,561.3 |

| PROJECTS | Annual Requirements | | | | | Totals |
|---|---|---|---|---|---|---|
| | 1957 | 1958 | 1959 | 1960 | 1961 | |
| **2. Livestock Production—** | | | | | | |
| Priority I: | 1,450.0 | 2,700.0 | 1,200.0 | 800.0 | 450.0 | 6,600.0 |
| 1. Importation of cattle for slaughter | 350.0 | 350.0 | 350.0 | 350.0 | — | 1,400.0 |
| 2. Production of concentrate feed—fish meal, etc.[1] | 500.0 | 1,500.0 | — | — | — | 2,000.0 |
| 3. Establishment of livestock and dairy cooperatives[2] | 200.0 | 300.0 | 300.0 | 200.0 | 200.0 | 1,200.0 |
| 4. Establishment of livestock marketing cooperatives[2] | 400.0 | 550.0 | 550.0 | 250.0 | 250.0 | 2,000.0 |
| Priority II: | 1,450.0 | 2,350.0 | 2,000.0 | 1,600.0 | 1,100.0 | 8,500.0 |
| 1. Rehabilitation and opening of new ranches | 200.0 | 600.0 | 600.0 | 300.0 | 300.0 | 2,000.0 |
| 2. Opening of dairy farms, hog farms, poultry[1] | 650.0 | 1,150.0 | 1,300.0 | 1,200.0 | 700.0 | 5,000.0 |
| 3. Manufacture of biologics, etc.[1] | 500.0 | 500.0 | — | — | — | 1,000.0 |
| 4. Development of grazing areas | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 500.0 |
| Priority III: | 1,000.0 | 2,000.0 | 2,000.0 | — | — | 5,000.0 |
| 1. Industrialization of animal products and by-products, as meat processing, canning, rendering, etc.[1] | 1,000.0 | 2,000.0 | 2,000.0 | — | — | 5,000.0 |
| Sub-Total | 3,900.0 | 7,050.0 | 5,200.0 | 2,400.0 | 1,550.0 | 20,100.0 |

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[1] The amount of ₱20 million should be set aside for direct loans in the development of these industries.

[2] To support these cooperatives, the amount of ₱20 million should be available for direct loans.

| PROJECTS | Annual Requirements | | | | | Totals |
|---|---|---|---|---|---|---|
| | 1957 | 1958 | 1959 | 1960 | 1961 | |
| 3. Fish Production— | | | | | | |
| Priority I: | 7,200.0 | 6,700.0 | 5,450.0 | 7,450.0 | 9,200.0 | 36,000.0 |
| 1. Exploitation and development of the tuna fisheries . | 2,500.0 | 3,000.0 | 2,250.0 | 3,250.0 | 4,000.0 | 15,000.0 |
| 2. Expansion of commercial fishing vessels and gear .. | 4,700.0 | 3,700.0 | 3,200.0 | 4,200.0 | 5,200.0 | 21,000.0 |
| Priority II: | 13,000.0 | 12,999.9 | 12,400.0 | 12,990.0 | 12,499.0 | 63,888.9 |
| 1. Expansion and mechanization of craft and gear in municipal fisheries and sustenance fishing ....... | 4,000.0 | 3,000.0 | 2,500.0 | 3,000.0 | 2,500.0 | 15,000.0 |
| 2. Expansion and development of fishponds ........ | 9,000.0 | 9,999.9 | 9,900.0 | 9,990.0 | 9,999.0 | 48,888.9 |
| Priority III: | — | — | — | — | — | — |
| 1. Establishment of subsidiary industries to serve the needs of the fisheries industry such as dry-docks, fish net manufacture, ice plants, etc. (To be included in the Industrial Development Program) .. | (1,200.0) | (1,200.0) | (1,200.0) | (1,200.0) | (1,200.0) | (6,000.0) |
| Sub-Total .............................. | 20,200.0 | 19,699.9 | 17,850.0 | 20,440.0 | 21,699.0 | 99,888.9 |

| PROJECTS | Annual Requirements | | | | | Totals |
|---|---|---|---|---|---|---|
| | 1957 | 1958 | 1959 | 1960 | 1961 | |
| **4. Forest Production—** | | | | | | |
| Priority I: | 5,050.0 | 6,800.0 | 7,100.0 | 8,850.0 | 10,900.0 | 38,700.0 |
| 1. Timber production | 3,300.0 | 3,300.0 | 3,600.0 | 3,600.0 | 3,900.0 | 17,700.0 |
| 2. Lumber production | 1,750.0 | 3,500.0 | 3,500.0 | 5,250.0 | 7,000.0 | 21,000.0 |
| Priority II: | 200.0 | 300.0 | 500.0 | 500.0 | 500.0 | 2,000.0 |
| 1. Forest plantations | 200.0 | 300.0 | 500.0 | 500.0 | 500.0 | 2,000.0 |
| Sub-Total | 5,250.0 | 7,100.0 | 7,600.0 | 9,350.0 | 11,400.0 | 40,700.0 |
| GRAND TOTAL | 112,321.9 | 110,387.8 | 101,181.9 | 107,844.8 | 115,513.8 | 547,250.2 |

### ILLUSTRATIVE PRIVATE INVESTMENT SCHEDULE IN MANUFACTURING AND MINING
FY 1957 - 1961
(In Million pesos)

| | 1957 | | | 1957 — 1961 | | |
|---|---|---|---|---|---|---|
| | DOLLAR | PESO | TOTAL | DOLLAR | PESO | TOTAL |
| TOTAL | 101.02 | 58.89 | 159.9 | 1,061.0 | 667.0 | 1,728.0 |
| I. IRON AND STEEL | 11.5 | 5.5 | 17.0 | 70.0 | 45.0 | 115.0 |
| 1. Surigao Iron Ore Smelting | 8.5 | 3.5 | 12.0 | 39.0 | 21.0 | 60.0 |
| 2. Ferro-Alloys | — | — | — | 7.0 | 3.0 | 10.0 |
| 3. Galvanized Iron | 3.0 | 2.0 | 5.0 | 24.0 | 21.0 | 45.0 |
| II. CHEMICALS | 9.65 | 6.95 | 16.6 | 31.0 | 27.0 | 58.0 |
| 1. Soda-Ash Caustic Soda | 4.0 | 2.5 | 6.5 | 8.0 | 5.0 | 13.0 |
| 2. Superphosphate | 2.4 | 1.0 | 3.4 | 2.0 | 2.0 | 4.0 |
| 3. Insecticide | .4 | .2 | .6 | 1.0 | 1.0 | 2.0 |
| 4. Salt | .2 | .8 | 1.0 | 4.0 | 6.0 | 10.0 |
| 5. Light Chemicals (benzol & naptha) | — | — | — | 2.0 | 1.0 | 3.0 |
| 6. Pigment and Varnish | .6 | .4 | 1.0 | 3.0 | 2.0 | 5.0 |
| 7. Resins | — | — | — | 3.0 | 1.0 | 4.0 |
| 8. Pharmaceutical (local preparation) | — | — | — | 3.0 | 2.1 | 5.0 |
| 9. Glue | .05 | .05 | .1 | 1.0 | 1.0 | 2.0 |
| 10. Calcium Carbide | 2.0 | 2.0 | 4.0 | 4.0 | 6.0 | 10.0 |
| III. FUEL | .3 | 1.4 | 1.7 | 7.0 | 9.0 | 16.0 |
| 1. Charcoal | .2 | .3 | .5 | 1.0 | 2.0 | 3.0 |
| 2. Briquetted Coalite | — | — | — | 4.0 | 2.0 | 6.0 |
| 3. Alcohol Refineries | .1 | 1.1 | 1.2 | 2.0 | 5.0 | 7.0 |
| IV. TEXTILE | 10.0 | 4.0 | 14.0 | 101.0 | 57.0 | 158.0 |
| 1. Cotton Cloth | 10.0 | 4.0 | 14.0 | 52.0 | 46.0 | 98.0 |
| 2. Rayon Staple, Cloth & Filament | — | — | — | 49.0 | 11.0 | 44.0 |

APPENDIX 3-03

| | 1957 | | | 1957 — 1961 | | |
|---|---|---|---|---|---|---|
| | DOLLAR | PESO | TOTAL | DOLLAR | PESO | TOTAL |
| V. NON-METALLIC MINERALS | 11.1 | 2.6 | 13.7 | 27.0 | 17.0 | 44.0 |
| 1. Cement | 7.0 | .5 | 7.5 | 16.0 | 4.0 | 20.0 |
| 2. Ceramics | 2.1 | 1.1 | 3.2 | 5.0 | 9.0 | 14.0 |
| 3. Glass | 2.0 | 1.0 | 3.0 | 6.0 | 4.0 | 10.0 |
| VI. NON-FERROUS METALS | 7.4 | 1.2 | 8.6 | 20.0 | 15.0 | 35.0 |
| 1. Copper Smelting and Refining | — | — | — | 9.0 | 6.0 | 15.0 |
| 2. Copper Rolling, Wire Drawing and Insulating & Alloys | 5.0 | .6 | 5.6 | 6.0 | 4.0 | 10.0 |
| 3. Aluminum Smelting | — | — | — | 2.0 | 1.0 | 3.0 |
| 4. Aluminum Rolling | 2.4 | .6 | 3.0 | 3.0 | 4.0 | 7.0 |
| VII. MACHINERY | 9.8 | 6.8 | 16.6 | 75.0 | 53.0 | 128.0 |
| 1. Industrial Machinery Parts | 6.0 | 4.0 | 10.0 | 50.0 | 30.0 | 80.0 |
| 2. Machine Tools | .6 | 1.0 | 1.6 | 5.0 | 10.0 | 15.0 |
| 3. Simple Electrical Equipment | .5 | .6 | 1.1 | 9.0 | 6.0 | 15.0 |
| 4. Wood Screws, Hinges and Butts | 1.4 | .5 | 1.9 | 2.0 | 1.0 | 3.0 |
| 5. Agricultural Implements & Tools | 1.3 | .7 | 2.0 | 9.0 | 6.0 | 15.0 |
| VIII. PULP AND PAPER | — | — | — | 67.0 | 20.0 | 87.0 |
| 1. Pulp and Newsprint | — | — | — | 45.0 | 5.0 | 50.0 |
| 2. Fine Paper | — | — | — | 10.0 | 4.0 | 14.0 |
| 3. Wall Board | — | — | — | 7.0 | 8.0 | 15.0 |
| 4. Paper Products | — | — | — | 3.0 | 1.0 | 4.0 |
| 5. Cigarette & Tissue Paper | — | — | — | 2.0 | 2.0 | 4.0 |
| IX. FOOD MANUFACTURING | 1.6 | 1.4 | 3.0 | 24.0 | 18.0 | 42.0 |
| 1. Food Processing | 1.2 | .8 | 2.0 | 12.0 | 8.0 | 20.0 |
| 2. Cassava Flour | .4 | .6 | 1.0 | 4.0 | 4.0 | 8.0 |
| 3. Wheat Flour | — | — | — | 4.0 | 2.0 | 6.0 |
| 4. Starch, Dextrine, & Glucose | — | — | — | 2.0 | 2.0 | 4.0 |
| 5. Animal Feed | | — | | 2.0 | 2.0 | 4.0 |

| | 1957 | | | 1957 — 1961 | | |
|---|---|---|---|---|---|---|
| | DOLLAR | PESO | TOTAL | DOLLAR | PESO | TOTAL |
| X. LEATHER | 1.2 | .8 | 2.0 | 8.0 | 5.0 | 13.0 |
| 1. Leather Tanning | 1.2 | .8 | 2.0 | 6.0 | 4.0 | 10.0 |
| 2. Leather Manufacturing | — | — | — | 2.0 | 1.0 | 3.0 |
| XI. OTHER MANUFACTURING INDUSTRIES | 12.5 | 6.1 | 18.6 | 243.0 | 164.0 | 407.0 |
| 1. Cottage Industries | 3.0 | 2.0 | 5.0 | 30.0 | 20.0 | 50.0 |
| 2. Plywood | 5.6 | 1.4 | 7.0 | 23.0 | 6.0 | 29.0 |
| 3. Veneer | .4 | .1 | .5 | 3.0 | 1.0 | 4.0 |
| 4. Tinned Plate and Can Manufacturing | — | — | — | 8.0 | 2.0 | 10.0 |
| 5. Miscellaneous Industries | 3.5 | 2.6 | 6.1 | 179.0 | 135.0 | 314.0 |
| XII. EXPANSION OF EXISTING INDUSTRIES | 3.0 | 2.0 | 5.0 | 160.0 | 90.0 | 250.0 |
| XIII. MINING INDUSTRIES | 22.97 | 20.14 | 43.11 | 228.0 | 147.0 | 375.0 |
| 1. Gold and Silver | 1.6 | 1.3 | 2.9 | 16.0 | 10.0 | 26.0 |
| 2. Copper | 6.3 | 5.4 | 11.7 | 61.0 | 39.0 | 100.0 |
| 3. Manganese | .05 | .05 | .1 | 1.0 | 1.0 | 2.0 |
| 4. Chromite: | | | | | | |
| a. Refractory | 1.8 | 1.6 | 3.4 | 18.0 | 11.0 | 29.0 |
| b. Metallurgical | .6 | .6 | 1.2 | 6.0 | 4.0 | 10.0 |
| 5. Iron | 2.5 | 2.2 | 4.7 | 25.0 | 16.0 | 41.0 |
| 6. Lead | .02 | .02 | .04 | 1.0 | 1.0 | 2.0 |
| 7. Zinc | .05 | .05 | .1 | 1.0 | 1.0 | 2.0 |
| 8. Surigao Iron Ore (Including beneficiation) | 4.2 | 3.7 | 7.9 | 42.0 | 26.0 | 68.0 |
| 9. Quicksilver | .08 | .06 | .14 | 1.0 | 1.0 | 2.0 |
| 10. Coal | .1 | .1 | .2 | 1.0 | 1.0 | 2.0 |
| 11. Lime | 1.7 | 1.5 | 3.2 | 16.0 | 11.0 | 27.0 |
| 12. Rock Asphalt | .07 | .06 | .13 | 1.0 | 1.0 | 2.0 |
| 13. Sand, Gravel and Other Non-Metallic | 2.0 | 1.7 | 3.7 | 19.0 | 12.0 | 31.0 |
| 14. Inventories | 1.9 | 1.8 | 3.7 | 19.0 | 12.0 | 31.0 |

APPENDIX 3-01

## PROPOSED GUIDING PRINCIPLES IN THE IMPLEMENTATION OF THE REPARATIONS PROGRAM

1. Reparations are to be regarded as part of the total foreign exchange resources and should be allocated as part of the foreign exchange budget, for the objectives of, and according to principles and priorities laid down in, the economic development program in general, and in accordance with foreign exchange policy in particular. As such, reparations should be regarded as an addition to the country's export income and should not be considered as replacing foreign aid or any part of the normal outlays for necessary imports. The Monetary Board should accordingly review and report periodically to the President the progress of reparations payments and their effect on the balance of payments.

2. The procurement, allocation, and utilization of goods and services from reparations should be carried out in a manner that will best promote the economic rehabilitation and development of the country in accordance with the broad program, criteria, and priorities established by the National Economic Council, based on the economic development program as approved. Accordingly, priority should be given to the most essential productive projects, including such projects as will foster the country's industrialization program.

3. In general, preference should be given to private productive projects. Government projects that should be given similar preference should be only those that foster the growth of private productive capacity, those that perform essential public services, and those productive projects which private enterprise is not yet capable or desirous to develop but which are urgently necessary in the interest of overall economic growth.

4. Allocation of reparations goods and/or services to private enterprise should be directly to end-users who are Filipino citizens or entities wholly Filipino owned and operated, provided that no transfers of ownership or control through sale, lease or other means should be permitted within five years after acquisition thereof except to Filipino citizens or entities wholly owned by Filipinos, such transfers to be subject to approval by the National Economic Council on good and reasonable grounds, such as death or bankruptcy.

5. In case capital goods obtained as reparations and assets obtained under loans effectuated under the provisions of the Exchange of Notes on Reparations Loans dated May 9, 1956, are subject to foreclosure, the bank or other agency involved should dispose of the same through sale, lease, or other means within one year from the date of foreclosure but only to end-users who are Filipino citizens or entities wholly owned and operated by Filipino citizens.

6. Original or subsequent recipients who are end-users of capital goods should be required to put the same into operation without necessary delay and within a reasonable period as may be determined by the government.

7. Authorized recipients other than individuals should be required to bind themselves not to allow any subsequent changes in ownership or control of their total assets that will result in less than total Filipino ownership and control thereof.

8. Goods other than capital goods should not as a rule be obtained as reparations from Japan. In case, however, it should be at all necessary that such goods be included in any list of reparations goods to be procured, they should consist only of essential consumer goods and construction materials not classified as capital goods and should be allocated solely to the National Marketing Corporation (NAMARCO) for direct cash sale to bona-fide Filipino retailers and Filipino end-users at prevailing market prices. Spare parts for maintenance purposes should also be obtained as part of this category of reparations goods. The total amount of each of the items under this category should be such as will not adversely affect the prices of similar domestic goods.

9. In evaluating bids received from prospective manufacturers and suppliers of reparations goods and services, or in negotiating with the Japanese government for the procurement of goods and services not to be procured through reparations contracts, the Mission in Tokyo should consider as a basis for decision prevailing export prices in Japan for similar goods and services or, in the absence of such basis, the world market prices for the same.

10. In the event of reasonable evidence of over-pricing of reparations goods and services, the Mission should make an immediate report thereof to the President through the National Economic Council so that steps necessary to remedy the situation may be taken on a government-to-government basis.

Republic of the Philippines
Office of the President
NATIONAL ECONOMIC COUNCIL

Office of the Chief
Fiscal Branch

## Summary Analysis of Project Implementation Order Status Report Fiscal Year 1951-1956 Program, As of June 30, 1956

Dollar
Accounting Unit

| CATEGORY<br>Code No. Major Fields of Activity | Authorized Amount of PAs & TAAs | Committed Amount of PRs | Contracted Amount of Contracts | Paid Arrivals |
|---|---|---|---|---|
| 10 Agriculture and Natural Resources | $ 28,801,722.74 | $ 24,801,722.74 | $ 22,980,499.08 | $ 22,578,515.85 |
| 20 Industry and Mining | 3,801,053.17 | 3,801,053.17 | 2,681,177.63 | 2,350,448.96 |
| 30 Transportation | 21,461,877.84 | 21,461,877.84 | 19,796,945.73 | 19,564,175.18 |
| 40 Labor | 45,000.00 | 45,000.00 | 9,822.71 | —— |
| 50 Health and Sanitation | 11,551,441.34 | 11,551,441.34 | 9,899,427.88 | 9,268,705.74 |
| 60 Education | 5,512,670.02 | 5,512,670.02 | 5,058,022.81 | 4,931,793.81 |
| 70 Public Administration | 944,374.91 | 944,374.91 | 802,025.43 | 701,706.66 |
| 80 Community Dev., Social Welfare Housing | 817,893.22 | 817,893.22 | 618,093.22 | 618,093.22 |
| 90 Miscellaneous Code | 517,000.00 | 517 000.00 | 142,906.25 | —— |
| Total Project Type Assistance | $ 69,453,033.24 | $ 69,453,033.24 | $ 61,988,920.74 | $ 60,013,439.42 |
| 99 Non-Project Type Assistance | $ 18,898,142.41 | $ 18,898,142.41 | $ 17,807,465.23 | $ 14,958,642.49 |
| Total Commodities | $ 88,351,175.65 | $ 88,351,175.65 | $ 79,796,385.97 | $ 74.972.081.91[1] |
| Type "A" Participants | $ 3,512,588.55 | $ 3,512,588.55 | $ 2,352,579.14 | $ 2,352,579.14 |
| Type "B" Technicians | $ 7,528,216.87 | $ 7,528,216.87 | $ 6,054,556.00 | $ 6.054 556.00 |
| Type "C" Technicians-Contract | $ 5,721,200.99 | $ 5,721,200.99 | $ 2,756,516.46 | $ 2,756,516.46 |
| Total Technical Service | $ 16,762,006.41 | $ 16,762,006.41 | $ 11,163,651.60 | $ 11,163,651.60[2] |
| Total Program | $105,113,182.06 | $105,113,182.06 | $ 90,960,037.57 | $ 86,135,733.51 |
| 99 Philippine Special Program (Jusmag) | $ 5,470,812.28 | $ 5,470,812.28 | $ 4,915,208.60 | $ 4,264,671.36 |
| 99 Philippine Special Account (Sec. 402) | $ 26,354.546.07 | $ 26,351 546.07 | $ 11,749,643.22 | $ 8,480,887.70 |

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NOTE. [1] Payments for commodities received not included is $98,365.26 values of commodities that actually arrived as report during the months of July and $6,254.09 worth of incoming shipments the arrival is not yet determined.
[2] Payments for technical services rendered. Includes ICA Washington disbursements [illegible] through April 30, 1956 and ICA Manila disbursement through May 31, 1956.

## APPENDIX 4-01

# ASSUMPTIONS OF THE FOREIGN EXCHANGE BUDGET

## 1957 — 1961

(1) Annual purchases of gold by the Central Bank assumed equal to 30 per cent of domestic production, sub-sumed to be 400,000 fine ounces per annum, at $35 per fine ounce.

(2) U.S. Government Expenditure estimated on the basis of available information and historical data.

(3) Miscellaneous invisible receipts estimated by straight line projection of 1951-1955 semestral data to 1961.

(4) Philippine Government Expenditure estimated by assuming a fixed annual diplomatic and consular expenditure of $2.3 (M) in addition to service and interest payments of current outstanding foreign loans at their due dates. Conversion of periods same as in (2).

(5) Miscellaneous invisible disbursements estimated on the basis of the 1950-1954 linked average movements. Payments to the International Monetary Fund of $10(M) in 1958 and $11(M) in 1960 were added. Conversion of periods same as in (2).

(6) Estimates of export receipts were obtained by the following assumptions:

  a. Model I: Export receipts during FY 1956 ($416 million compared to $398 million of FY 1955) will be realized annually up to FY 1961.

  b. Model II: The ratio of export to production, by volume, of major export products during the period 1950-1955 shall hold true annually until 1961, sub-suming (i) production targets of the Five Year Economic Development Program to be achieved, (ii) the international markets to absorb the expanded export volume at the minimum prices registered during the period 1950-1955. The estimate of total receipts was obtained by adding the straight line projection of 1950-1955 receipts from minor export products. Conversion of periods same as in (2).

  c. Model III: The same as Model II except that average prices registered during the period 1950-1955 are assumed to be realized.

(7) Japanese reparation payments and loans estimated by assuming a fixed annual rate of $25 million and $12.5 million respectively.

(8) Sale of P.I. Bonds in the U.S. estimated on the basis of the Five Year Fiscal Budget FY 1957-1961.

(9) Private sector requirements of foreign exchange for merchandise imports during FY 1956 was projected up to FY 1961, providing for 1.9% annual population growth. Private sector requirements consist of (i) regular allocation of consumer goods (ii) provision for raw materials and replacements of existing industries and (iii) allocation of capital goods for new industries. Allocations during FY 1955 and FY 1956 were $643(M) and $513(M) respectively.

(10) Public developmental requirements according to the needs of the five-year public investment program.

(11) Additional import demand arising from increase in per capita income was computed by multiplying permissible marginal propensity to import of 14 per cent on 2/3 of the yearly increase in national income for FY 1957-1961. 14 per cent represents the average ratio of imports to income during 1950-1955, and 1/3 of the assumed yearly increase in national income was assumed to be absorbed by population increase, already taken into account under consumers in the foreign exchange budget.

## IMPORTS BY COMMODITY GROUP, 1949; 1952-1955

(F.O.B. value in thousand pesos)

| Period | Total Imports | Total Foods | Live animals chiefly for food | Meat & meat prepn | Dairy produts, eggs & honey | Fish & fish prepns | Cereals & cereal prepns | Fruits & vegetables | Sugar & sugar prepns | Coffee, tea, cocoa, spices & nuts and prepns thereof | Feeding stuff for animals not incldg. unmilled cereals | Misc. food prepns |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1949 | 1,172,750 | 295,942 | 94 | 13,701 | 54,428 | 32,580 | 117,781 | 41,215 | 8,172 | 22,489 | 1,487 | 3,995 |
| 1952 | 846,097 | 153,723 | 66 | 5,140 | 36,579 | 15,325 | 69,114 | 13,928 | 3,057 | 6,352 | 2,097 | 2,065 |
| 1953 | 914,046 | 153,478 | — | 6,687 | 48,190 | 20,440 | 43,189 | 19,650 | 2,350 | 8,565 | 1,867 | 2,540 |
| 1954 | 965,284 | 158,295 | — | 13,947 | 47,970 | 14,086 | 51,712 | 12,457 | 2,147 | 10,705 | 3,067 | 2,204 |
| January | 83,578 | 10,713 | — | 252 | 2,137 | 638 | 4,435 | 1,552 | 198 | 943 | 269 | 289 |
| February | 59,999 | 10,412 | — | 233 | 4,070 | 1,364 | 3,118 | 750 | 64 | 517 | 155 | 141 |
| March | 81,184 | 11,047 | — | 410 | 4,836 | 645 | 2,729 | 1,088 | 113 | 797 | 243 | 186 |
| April | 80,344 | 12,579 | — | 621 | 3,877 | 1,394 | 4,592 | 590 | 224 | 659 | 310 | 312 |
| May | 84,666 | 12,950 | — | 833 | 4,186 | 1,153 | 3,702 | 1,190 | 170 | 1,175 | 285 | 256 |
| June | 87,023 | 14,172 | — | 1,449 | 3,619 | 1,100 | 5,281 | 1,010 | 116 | 856 | 324 | 417 |
| July | 82,256 | 11,291 | — | 1,189 | 4,775 | 775 | 2,555 | 887 | 257 | 628 | 123 | 102 |
| August | 74,316 | 13,052 | — | 2,587 | 4,321 | 1,304 | 2,497 | 1,040 | 173 | 861 | 174 | 95 |
| September | 72,638 | 13,769 | — | 1,731 | 4,444 | 1,595 | 3,647 | 1,201 | 158 | 727 | 212 | 54 |
| October | 81,310 | 15,915 | — | 2,247 | 3,971 | 2,120 | 5,263 | 823 | 212 | 822 | 385 | 72 |
| November | 87,286 | 14,744 | — | 1,422 | 3,909 | 895 | 5,585 | 1,153 | 242 | 999 | 310 | 229 |
| December | 90,704 | 17,651 | — | 973 | 3,825 | 1,103 | 8,308 | 1,173 | 220 | 1,721 | 277 | 51 |
| 1955 | 1,095,211 | 204,763 | 232 | 16,170 | 57,061 | 25,753 | 73,830 | 12,165 | 2,775 | 12,404 | 2,603 | 1,770 |
| January | 96,466 | 12,486 | — | 1,197 | 3,682 | 1,692 | 3,181 | 1,233 | 177 | 1,083 | 79 | 162 |
| February | 82,249 | 12,668 | — | 1,202 | 3,022 | 3,431$^{r}$ | 2,608 | 838$^{r}$ | 205 | 980 | 268 | 114 |
| March | 89,226 | 14,805 | — | 1,092 | 5,293 | 1,440 | 4,505 | 716 | 250 | 1,066 | 257 | 186 |
| April | 89,975 | 18,520 | — | 1,033 | 5,454 | 1,894 | 7,276 | 838 | 293 | 1,189 | 177 | 366 |
| May | 111,937 | 21,520 | — | 1,019 | 5,950 | 2,507 | 8,747 | 1,449 | 355 | 1,048 | 263 | 182 |
| June | 102,516 | 19,409 | 54 | 1,446 | 5,037 | 2,023 | 7,741 | 1,482 | 286 | 790 | 271 | 279 |
| July | 74,718 | 14,507 | — | 569 | 3,658 | 1,810 | 6,101 | 732 | 204 | 1,147 | 216 | 70 |
| August | 75,558 | 16,559 | — | 1,647 | 4,849 | 2,101 | 5,318 | 933 | 262 | 1,211 | 163 | 75 |
| September | 73,113 | 15,422 | 178 | 1,842 | 4,417 | 1,486 | 5,203 | 923 | 237 | 836 | 217 | 83 |
| October | 82,470 | 14,684 | — | 944 | 4,863 | 1,107 | 5,522 | 823 | 122 | 993 | 234 | 75 |
| November | 95,195 | 19,604 | — | 1,376 | 3,580 | 1,509 | 10,843 | 907 | 174 | 988 | 200 | 27 |
| December | 121,788 | 24,579 | — | 2,803 | 7,256 | 4,753 | 6,785 | 1,290 | 210 | 1,073 | 258 | 151 |

**SOURCE:** Seventh Annual Report (1955), Central Bank of the Philippines, p. 223.
r (Set-up as a superior index) Revised

**APPENDIX 6-01**

# IMPORTS BY COMMODITY GROUP, 1949; 1952-1955 (Continued)

(F.O.B. value in thousand pesos)

| Period | Beverages & tobacco |  |  | Total | Hides, skins & fur skins undressed | Oilseeds, oil nuts & oil kernels | Crude rubber, incl. synthetic & reclaimed | Wood, lumber and cork | Pulp and waste paper | Textile fibers not mfd. into yarns, thread or fabric | Crude fertilizers, minerals, except coal petroleum and precious stones | Metalliferous ores & metal scrap | Animal & vegetable crude materials inedible n.e.s. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
|  | Total | Beverages | Tobacco |  |  |  |  |  |  |  |  |  |  |
| 1949 | 40,158 | 4,667 | 35,491 | 7,143 | 38 | 93 | 101 | 1,121 | — | 1,557 | 2,541 | — | 1,692 |
| 1952 | 39,737 | 4,318 | 35,419 | 9,815 | 71 | 1,290 | 132 | 319 | — | 4,663 | 748 | — | 2,592 |
| 1953 | 31,112 | 785 | 30,327 | 12,033 | 44 | 190 | 54 | 169 | 321 | 6,454 | 2,012 | 9 | 2,780 |
| 1954 | 22,066 | 1,475 | 20,591 | 11,665 | 225 | 102 | 156 | 208 | 371 | 4,876 | 959 | 12 | 4,756 |
| January | 1,763 | 59 | 1,704 | 802 | 16 | 2 | — | 16 | 5 | 192 | 43 | — | 528 |
| February | 1,517 | 76 | 1,441 | 325 | — | — | — | 12 | — | 102 | 61 | — | 150 |
| March | 2,022 | 182 | 1,840 | 1,489 | 7 | 1 | — | 22 | 1 | 721 | 51 | — | 686 |
| April | 3,383 | 222 | 3,161 | 689 | 32 | — | 16 | 12 | 120 | 36 | 33 | — | 440 |
| May | 3,808 | 120 | 3,688 | 1,295 | 10 | 3 | 6 | 16 | 25 | 743 | 28 | — | 464 |
| June | 2,905 | 190 | 2,715 | 1,121 | 7 | — | 24 | 25 | — | 711 | 56 | — | 298 |
| July | 2,538 | 63 | 2,475 | 1,520 | 21 | — | 30 | 12 | 78 | 892 | 53 | — | 434 |
| August | 1,051 | 58 | 993 | 1,302 | 1 | 2 | 13 | — | 3 | 713 | 99 | 12 | 459 |
| September | 543 | 70 | 473 | 1,120 | 14 | 1 | 22 | 17 | — | 461 | 323 | — | 282 |
| October | 790 | 198 | 592 | 763 | 28 | 8 | 6 | 57 | — | 41 | 134 | — | 489 |
| November | 1,076 | 117 | 959 | 434 | 55 | 9 | 21 | 14 | 7 | 39 | 37 | — | 252 |
| December | 670 | 120 | 550 | 805 | 34 | 76 | 18 | 5 | 132 | 225 | 41 | — | 274 |
| 1955 | 31,605 | 1,696 | 29,909 | 17,236 | 797 | 133 | 106 | 577 | 351 | 6,927 | 2,243 | 48 | 6,054 |
| January | 5,520 | 43 | 5,477 | 2,119 | 32 | 36 | 8 | 12 | 12 | 874 | 560 | — | 585 |
| February | 3,880 | 31 | 3,849 | 1,151 | 83 | 25 | 14 | 4 | 29 | 344 | 54 | — | 598 |
| March | 1,310 | 221 | 1,089 | 517 | 81 | — | 7 | 9 | — | 114 | 69 | — | 237 |
| April | 3,657 | 139 | 3,518 | 1,718 | 33 | 2 | 1 | 6 | 119 | 1,075 | 45 | — | 437 |
| May | 3,858 | 96 | 3,762 | 1,201 | 104 | 43 | 14 | 59 | — | 187 | 171 | — | 623 |
| June | 1,639 | 211 | 1,428 | 1,783 | 86 | — | 10 | 18 | 24 | 198 | 849 | 12 | 586 |
| July | 1,547 | 97 | 1,450 | 697 | 42 | 2 | 15 | 80 | 90 | 14 | 29 | 4 | 421 |
| August | 2,989 | 135 | 2,854 | 1,820 | 6 | — | — | 253 | 22 | 943 | 79 | 31 | 586 |
| September | 1,035 | 182 | 853 | 1,310 | 34 | 11 | 2 | 25 | — | 512 | 145 | 1 | 610 |
| October | 3,059 | 212 | 2,847 | 1,276 | 132 | — | 5 | 99 | 4 | 703 | 36 | — | 297 |
| November | 1,631 | 187 | 1,444 | 1,702 | 71 | 13 | 26 | 52 | 51 | 1,028 | 99 | — | 362 |
| December | 1,480 | 112 | 1,368 | 1,912 | 93 | 1 | 1 | 60 | — | 935 | 107 | — | 712 |

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[illegible] Central Bank of the Philippines, [illegible]

## IMPORTS BY COMMODITY GROUP, 1949; 1952 - 1955 — Continued

(F. O. B. Value in thousand pesos)

| Period | Mineral Fuels and Lubricants |  | Chemicals |  |  |  |  |  |  |  |
|---|---|---|---|---|---|---|---|---|---|---|
|  | Total | Mineral fuels, lubricants & related materials | Total | Chemical elements and compounds | Mineral tar and crude chemicals from coal, petroleum and natural gas | Dyeing tanning and coloring materials | Medicinal and pharmaceutical products | Essential oils, perfume materials toilet, polishing and cleaning preparation | Fertilizers manufactured | Explosive and misc. chemical materials and products |
| 1949 | 70,335 | 70,335 | 69,931 | 11,185 | 65 | 13,442 | 23,193 | 9,024 | 6,787 | 6,235 |
| 1952 | 83,654 | 83,654 | 65,106 | 11,467 | — | 7,909 | 16,385 | 2,332 | 20,522 | 6,491 |
| 1953 | 97,791 | 97,791 | 76,538 | 13,371 | 21 | 10,430 | 24,003 | 2,986 | 14,174 | 11,553 |
| 1954 | 108,286 | 108,286 | 76,230 | 15,665 | 56 | 11,759 | 22,669 | 4,097 | 8,354 | 13,630 |
| January | 11,638 | 11,638 | 7,916 | 1,665 | 4 | 1,101 | 2,381 | 232 | 1,223 | 1,310 |
| February | 6,303 | 6,303 | 5,031 | 831 | 11 | 527 | 1,050 | 218 | 1,894 | 500 |
| March | 9,329 | 9,329 | 5,907 | 1,334 | 2 | 1,004 | 1,715 | 241 | 330 | 1,231 |
| April | 7,383 | 7,383 | 5,335 | 943 | 3 | 1,048 | 1,763 | 317 | 136 | 1,125 |
| May | 6,902 | 6,902 | 5,819 | 1,033 | — | 1,228 | 2,011 | 357 | 56 | 1,134 |
| June | 12,818 | 12,818 | 6,501 | 1,553 | 4 | 1,005 | 2,112 | 288 | 300 | 1,239 |
| July | 13,132 | 13,132 | 7,365 | 1,888 | — | 999 | 2,431 | 700 | 38 | 1,309 |
| August | 10,051 | 10,051 | 5,673 | 1,453 | 1 | 937 | 1,825 | 235 | 62 | 1,160 |
| September | 6,885 | 6,885 | 5,542 | 1,830 | 25 | 834 | 1,371 | 188 | 43 | 1,251 |
| October | 6,389 | 6,389 | 6,464 | 1,091 | — | 1,092 | 1,822 | 282 | 1,281 | 896 |
| November | 8,981 | 8,981 | 7,519 | 828 | — | 980 | 1,795 | 634 | 1,830 | 1,272 |
| December | 8,475 | 8,475 | 7,158 | 1,216 | 6 | 1,004 | 2,213 | 405 | 1,111 | 1,203 |
| 1955 | 107,657 | 107,657 | 87,778 | 16,654 | 144 | 12,732 | 25,396 | 5,955 | 11,570 | 15,327 |
| January | 11,723 | 11,723 | 7,638 | 1,691 | 50 | 1,508 | 1,845 | 458 | 394 | 1,692 |
| February | 6,192 | 6,192 | 7,476 | 1,778 | — | 1,219 | 1,856 | 455 | 509 | 1,659 |
| March | 8,518 | 8.518 | 6,159 | 1,001 | 3 | 1,368 | 2,151 | 565 | 194 | 877 |
| April | 9,024 | 9,024 | 5,465 | 953 | — | 929 | 2,025 | 214 | 138 | 1,206 |
| May | 8,564 | 8,564 | 7,909 | 1,369 | 10 | 1,551 | 2,664 | 492 | 374 | 1,449 |
| June | 9,840 | 9,840 | 6,705 | 1,321 | 11 | 1,171 | 1,746 | 595 | 420 | 1,441 |
| July | 10,879 | 10,879 | 5,195 | 1,288 | — | 601 | 1,639 | 408 | 501 | 758 |
| August | 8,252 | 8,252 | 5,238 | 1,187 | 11 | 1,026 | 1,665 | 423 | 153 | 773 |
| September | 6,732 | 6,732 | 6,175 | 1,251 | — | 769 | 1,606 | 363 | 642 | 1,544 |
| October | 8,836 | 8,836 | 7,161 | 1,610 | 9 | 655 | 1,821 | 474 | 1,383 | 1,209 |
| November | 10,095 | 10,095 | 9,093 | 1,160 | 3 | 520 | 2,112 | 383 | 3,648 | 1,267 |
| December | 9,002 | 9,002 | 13,564 | 2,045 | 47 | 1,415 | 4,266 | 1,125 | 3,214 | 1,452 |

**Source of Basic Data: Central Bank of the Philippines, Seventh Annual Report, 1955, p. 225.**

## IMPORTS BY COMMODITY GROUP, 1949; 1952 - 1955 — Continued
(F. O. B. Value in thousand pesos)

| Period | Animal & vegetable oils & fats |  | Manufactured Goods Classified Chiefly by Materials |  |  |  |  |  |  |  |  |  |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
|  | Total | Animal and vegetable oils (not essential oils), fats greases and derivatives | Total | Leather leather manufactures n.e.s. & dressed furs | Rubber manufactures | Wood and cork manufactures (excl. furniture) | Paper and Paperboard and manufactures thereof | Textile yarn, fabrics, made-up articles and related products | Non-metalic mineral manufactures n.e.s. | Silver, platinum, gems and jewelry | Base metals | Manufactures of metals |
| 1949 | 4,628 | 4,628 | 440,803 | 10,439 | 22,835 | 3,721 | 35,032 | 225,270 | 25,545 | 1,673 | 60,873 | 55,415 |
| 1952 | 2,058 | 2,058 | 316,852 | 7,136 | 30,440 | 277 | 31,101 | 156,927 | 11,759 | 334 | 41,634 | 37,244 |
| 1953 | 3,464 | 3,464 | 342,444 | 10,508 | 32,966 | 485 | 29,552 | 158,084 | 12,410 | 292 | 62,281 | 25,916 |
| 1954 | 3,661 | 3,661 | 354,067 | 9,772 | 27,851 | 861 | 32,035 | 171,686 | 15,311 | 272 | 60,438 | 35,841 |
| January | 559 | 559 | 29,026 | 852 | 2,052 | 38 | 3,504 | 13,302 | 1,298 | 25 | 5,189 | 2,766 |
| February | 193 | 193 | 18,795 | 531 | 1,598 | 34 | 2,198 | 7,909 | 804 | 5 | 3,679 | 2,037 |
| March | 323 | 323 | 33,390 | 1,038 | 2,854 | 32 | 2,536 | 17,420 | 1,273 | — | 4,707 | 3,530 |
| April | 339 | 339 | 30,331 | 1,253 | 2,741 | 27 | 3,580 | 13,129 | 1,407 | 40 | 4,973 | 3,181 |
| May | 213 | 213 | 32,740 | 842 | 2,811 | 68 | 2,610 | 15,629 | 1,292 | 41 | 5,790 | 3,657 |
| June | 396 | 396 | 29,755 | 763 | 2,909 | 59 | 2,071 | 13,419 | 1,302 | 10 | 5,337 | 3,885 |
| July | 322 | 322 | 27,046 | 683 | 1,756 | 118 | 2,310 | 11,630 | 1,896 | 31 | 5,720 | 2,902 |
| August | 426 | 426 | 24,128 | 548 | 2,211 | 29 | 2,011 | 9,840 | 1,465 | 29 | 5,036 | 2,959 |
| September | 229 | 229 | 27,849 | 556 | 2,186 | 98 | 2,312 | 14,318 | 1,437 | 30 | 4,359 | 2,533 |
| October | 223 | 223 | 31,925 | 487 | 2,106 | 73 | 3,232 | 17,330 | 1,059 | 5 | 4,815 | 2,818 |
| November | 205 | 205 | 32,761 | 1,105 | 1,933 | 187 | 2,632 | 17,926 | 1,207 | 41 | 4,883 | 2,847 |
| December | 233 | 233 | 36,321 | 1,114 | 2,694 | 98 | 3,039 | 19,834 | 871 | 15 | 5,950 | 2,706 |
| 1955 | 3,174 | 3,174 | 382,681 | 9,599 | 33,446 | 855 | 38,087 | 170,641 | 16,187 | 254 | 77,082 | 36,530 |
| January | 344 | 344 | 35,341 | 687 | 1,954 | 41 | 2,793 | 18,303 | 1,685 | 2 | 6,665 | 3,211 |
| February | 168 | 168 | 30,499 | 1,002 | 3,342 | 114 | 2,541 | 12,702 | 1,333 | — | 6,369 | 3,096 |
| March | 217 | 217 | 36,266 | 862 | 3,050 | 70 | 2,659 | 19,499 | 1,162 | 55 | 5,807 | 3,102 |
| April | 213 | 213 | 32,036 | 803 | 3,272 | 85 | 3,827 | 14,432 | 1,067 | 48 | 5,405 | 3,097 |
| May | 409 | 409 | 38,669 | 1,174 | 3,196 | 103 | 4,431 | 19,081 | 1,479 | 12 | 5,633 | 3,560 |
| June | 304 | 304 | 34,981 | 801 | 3,383 | 76 | 3,924 | 13,965 | 1,823 | 10 | 7,562 | 3,437 |
| July | 85 | 85 | 24,839 | 512 | 2,668 | 76 | 2,197 | 10,075 | 975 | 17 | 5,896 | 2,423 |
| August | 129 | 129 | 23,642 | 664 | 1,958 | 31 | 2,527 | 8,901 | 947 | — | 5,901 | 2,713 |
| September | 357 | 357 | 25,194 | 583 | 1,725 | 42 | 2,161 | 8,906 | 1,589 | 31 | 7,857 | 2,300 |
| October | 133 | 133 | 27,398 | 854 | 2,489 | 21 | 3,723 | 10,425 | 1,002 | — | 5,352 | 3,532 |
| November | 344 | 344 | 33,328 | 751 | 2,578 | 75 | 2,763 | 14,548 | 1,628 | 1 | 8,402 | 2,582 |
| December | 471 | 471 | 40,488 | 906 | 3,831 | 121 | 4,541 | 19,804 | 1,497 | 78 | 6,233 | 3,477 |

Source of Basic Data: Central Bank of the Philippines, Annual Report, 1955, p. 226.

## IMPORTS BY COMMODITY GROUP, 1949; 1952 - 1955 — Continued

(F. O. B. value in thousand pesos)

| Period | Miscellaneous Manufactured Articles | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Prefabricated building, sanitary, plumbing, heating, and lighting fixtures and fittings | Furniture and fixtures | Travel goods, handbags and similar articles | Clothing | Footwear | Professional scientific and controlling inst., photographic and optical goods, watches and clocks | Miscellaneous manufactured articles n.e.s. |
| 1949 ............ | 92,543 | 6,135 | 2,834 | 998 | 19,747 | 8,203 | 11,165 | 43,461 |
| 1952 ............ | 46,542 | 5,592 | 996 | 218 | 11,429 | 1,412 | 11,456 | 15,439 |
| 1953 ............ | 45,301 | 2,837 | 1,059 | 164 | 13,328 | 663 | 11,573 | 15,677 |
| 1954 ............ | 55,238 | 4,444 | 718 | 149 | 14,930 | 789 | 15,145 | 19,063 |
| January ........ | 4,102 | 331 | 125 | 5 | 867 | 38 | 1,243 | 1,493 |
| February ...... | 2,907 | 243 | 84 | 3 | 494 | 47 | 1,125 | 911 |
| March ......... | 4,150 | 333 | 38 | 10 | 750 | 39 | 1,229 | 1,751 |
| April .......... | 4,606 | 415 | 31 | 12 | 908 | 26 | 1,422 | 1,792 |
| May ........... | 5,075 | 278 | 26 | 9 | 1,002 | 109 | 1,643 | 2,008 |
| June .......... | 4,674 | 482 | 48 | 8 | 782 | 56 | 1,297 | 2,001 |
| July .......... | 5,134 | 406 | 41 | 6 | 2,035 | 97 | 1,178 | 1,371 |
| August ........ | 4,758 | 349 | 52 | 21 | 1,758 | 86 | 1,146 | 1,346 |
| September ..... | 4,284 | 398 | 26 | 11 | 1,264 | 57 | 1,119 | 1,409 |
| October ........ | 4,657 | 304 | 155 | 36 | 1,596 | 93 | 1,009 | 1,464 |
| November ...... | 5,386 | 443 | 67 | 16 | 1,687 | 78 | 1,386 | 1,709 |
| December ...... | 5,505 | 462 | 25 | 12 | 1,787 | 63 | 1,348 | 1,808 |
| 1955 ............ | 48,904 | 5,811 | 865 | 91 | 10,236 | 706 | 14,952 | 16,243 |
| **January** ....... | 4,553 | 527 | 13 | 5 | 1,160 | 32 | 1,628 | 1,188 |
| **February** ....... | 3,178 | 379 | 6 | 4 | 679 | 33 | 1,013 | 1,064 |
| **March** ......... | 4,736 | 533 | 110 | 2 | 1,457 | 57 | 1,347 | 1,230 |
| **April** .......... | 4,432 | 502 | 22 | 4 | 1,101 | 22 | 1,316 | 1,465 |
| **May** ........... | 6,029 | 714 | 263 | 7 | 1,679 | 67 | 1,541 | 1,758 |
| **June** .......... | 4,756 | 634 | 43 | 10 | 823 | 78 | 1,458 | 1,710 |
| **July** ........... | 2,811 | 265 | 27 | 3 | 433 | 45 | 876 | 1,162 |
| **August** ......... | 3,282 | 401 | 230 | 13 | 586 | 22 | 827 | 1,203 |
| **September** ..... | 3,178 | 407 | 122 | 5 | 436 | 59 | 942 | 1,207 |
| **October** ........ | 3,327 | 404 | 15 | 23 | 499 | 85 | 1,202 | 1,099 |
| **November** ...... | 3,615 | 540 | 6 | 5 | 557 | 136 | 1,120 | 1,251 |
| **December** ...... | 5,007 | 505 | 8 | 10 | 826 | 70 | 1,682 | 1,906 |

**Source: Central Bank Seventh Annual Report, 1955, Page 227.**

## IMPORTS BY COMMODITY GROUP, 1949; 1952 - 1955 — (Concluded)

(F. O. B. value in thousand pesos)

| Period | Machinery and Transport Equipment | | | | Miscellaneous Transactions and Commodities, N. E. S. | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Machinery and parts other than electric | Electric machinery apparatus and appliances | Transport equipment | Total | Postal packages | Live, animals not for food | Returned goods and special transactions |
| 1949 | 150,399 | 59,418 | 34,361 | 56,620 | 868 | — | 134 | 734 |
| 1952 | 128,463 | 63,869 | 21,924 | 42,670 | 147 | — | 147 | — |
| 1953 | 150,867 | 81,160 | 26,467 | 43,240 | 1,018 | — | 430 | 588 |
| 1954 | 174,274 | 88,524 | 35,049 | 50,701 | 1,502 | — | 633 | 869 |
| January | 17,005 | 9,537 | 2,956 | 4,512 | 54 | — | 9 | 45 |
| February | 14,428 | 8,842 | 1,996 | 3,590 | 88 | — | 2 | 86 |
| March | 13,466 | 7,066 | 2,249 | 4,151 | 41 | — | — | 41 |
| April | 15,600 | 7,933 | 4,232 | 3,435 | 99 | — | 25 | 74 |
| May | 15,750 | 9,106 | 2,974 | 3,670 | 114 | — | 17 | 97 |
| June | 14,536 | 6,986 | 3,050 | 4,500 | 145 | — | 57 | 88 |
| July | 13,795 | 6,107 | 2,670 | 5,018 | 113 | — | 8 | 105 |
| August | 13,644 | 6,476 | 2,831 | 4,337 | 231 | — | 194 | 37 |
| September | 12,221 | 6,226 | 2,975 | 3,020 | 196 | — | 156 | 40 |
| October | 14,079 | 6,882 | 2,879 | 4,318 | 105 | — | 44 | 61 |
| November | 16,049 | 7,196 | 3,238 | 5,615 | 131 | — | 45 | 86 |
| December | 13,701 | 6,167 | 2,999 | 4,535 | 185 | — | 76 | 109 |
| 1955 | 208,703 | 104,347 | 43,857 | 60,499 | 2,710 | — | 2,710 | 1,386 |
| January | 16,475 | 8,949 | 3,541 | 3,985 | 267 | — | 267 | 815 |
| February | 16,870 | 8,245 | 4,444 | 4,181 | 167 | — | 167 | 33 |
| March | 16,621 | 8,105 | 3,377 | 5,139 | 77 | — | 77 | 31 |
| April | 14,891 | 6,726 | 3,178 | 4,987 | 19 | — | 19 | 195 |
| May | 22,749 | 11,227 | 6,199 | 5,323 | 1,029 | — | 1,029 | 39 |
| June | 23,060 | 11,191 | 5,533 | 6,336 | 39 | — | 39 | 58 |
| July | 13,929 | 6,026 | 3,530 | 4,373 | 229 | — | 229 | 68 |
| August | 13,611 | 7,242 | 2,179 | 4,189 | 36 | — | 36 | 38 |
| September | 13,442 | 6,953 | 2,714 | 3,775 | 238 | — | 238 | 72 |
| October | 16,581 | 8,887 | 2,577 | 5,117 | 15 | — | 15 | 18 |
| November | 15,297 | 9,023 | 2,642 | 3,632 | 486 | — | 486 | 19 |
| December | 25,177 | 11,772 | 3,943 | 9,462 | 108 | — | 108 | — |

Sources of Basic Data: Bureau of Customs; Bureau of Census and Statistics; Central Bank Seventh Annual Report, 1955, Page 226.